RRSP Investors: 2 Undervalued Dividend Stocks to Own for 30 Years

Description

The RRSP contribution deadline is March 1, 2021, for investors who want to reduce their 2020 taxable income. Once the cash goes into the RRSP account, it's time to put the money to work.

Why Emera stock deserves to be on your RRSP buy list

Emera (TSX:EMA) trades near $50 per share compared to $60 before the pandemic. The utility company has $31 billion in assets located in Canada, the United States, and the Caribbean.

In the 2020 results, Emera reported full-year adjusted net income of $665 million, up from $621 million in 2019.

Looking ahead, Emera plans to invest $7.4 billion through 2023 and has another $1.2 billion in projects under consideration. This should drive rate base growth of 7.5-8.5%, which leads to higher revenue and cash flow.

The board intends to raise the dividend by 4-5% through 2022. Emera has nearly doubled the distribution in the past 10 years. Investors who buy the stock now can pick up a solid 5% yield.

Emera has a market capitalization of about $12 billion. As the North American utility sector consolidates, it wouldn't be a surprise to see Emera become a takeover target.

Power Corp. looks cheap when you add up all the parts

Power Corp (TSX:POW) is a Canadian holding company with interests primarily focused on Canadian insurance and wealth management businesses. Overseas, Power Corp is a partner in a European firm that owns stakes in many of Europe's top global companies. In addition, Power Corp invests in disruptor start-ups, including fintech and electric vehicles.

Power Corp trades near 12 times earnings, which is less than the multiple you pay to own most of the big Canadian banks right now. The company's subsidiaries include **Great-West Lifeco** and **IGM Financial**. Through its various companies, Power Corp also has a controlling interest in Wealthsimple and a large stake in Lion Electric.

When you add up the market values of the publicly traded and private subsidiaries, Power Corp looks like a cheap stock. For example, Power Corp has a market capitalization of about $19 billion. The 66.9% it owns of Great-West Lifeco is worth about $20 billion. The 62.1% interest in IGM Financial is worth another $5 billion.

Holding companies such as Power Corp often trade at a discount to the sum of their parts, but there could be a lot of value to unlock in the next few years, especially if Wealthsimple goes public and Lion Electric becomes a dominant player in the electric bus market.

The stock trades near $31 at the time of writing. It wouldn't be a surprise to see Power Corp take a run at $40 in the next two years. Investors who buy Power Corp stock now can pick up a 5.75% dividend yield.

The bottom line on RRSP investing

The overall stock market looks expensive right now, but RRSP investors can still find top TSX stocks that appear cheap and pay attractive dividends that should continue to grow. Emera and Power Corp fit the description and offer above-average yields while you wait for the share prices to move higher.

If you have some cash available to put to work this RRSP season, these stocks deserve to be on your radar.

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2. TSX:POW (Power Corporation of Canada)

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Date
2025/08/14
Date Created
2021/02/26
Author
aswalker