2 Top Canadian Stocks to Build RRSP Wealth

Description

Canadian savers are searching for top stocks to put in their RRSP portfolio.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) is Canada's largest financial institution by market capitalization and one of the top 15 globally.

The company just reported strong fiscal Q2 2021 results. Net earnings came in at $4 billion. That's pretty good for three months of operations. Return on equity was above 19%, and Royal Bank finished the quarter with a CET1 ratio of 12.8%.

With the worst of the pandemic threats now in the rearview mirror, Royal Bank finds itself with a mountain of capital. The extra funds the bank built up to ride out a possible wave of defaults can now be deployed. The Canadian government will likely allow the Canadian banks to start raising dividends again later this year or in early 2022. When that happens, investors should see a large hike. An aggressive share-buyback plan is also possible.

On the growth side, Royal Bank might use the excess cash to make an acquisition in the United States to boost its American business.

The stock isn't undervalued right now, but Royal Bank remains a very profitable business and deserves to be an anchor holding for a buy-and-hold RRSP portfolio.

Long-term investors have done well with the stock. A $10,000 investment in Royal Bank 25 years ago would be worth more than $350,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility with more than $50 billion in assets located across

Canada, the United States, and the Caribbean.

The businesses include power-generation facilities, electric transmission infrastructure, and natural gas distribution networks. These might not be as exciting as cannabis or crypto, but they are businesses that provide essential services and steady profits.

Fortis gets nearly all of its revenue from regulated assets. This means revenue and cash flow are generally predictable and reliable. That’s important for dividend investors who rely on the payouts to buy more shares or provide income to supplement pensions.

Fortis has a $19.6 billion capital program in place that should boost the rate base from $30 billion in 2020 to $40 billion in 2025. As a result, management expects cash flow to increase enough to cover dividend increases of about 6% per year. Fortis has raised the distribution in each of the past 47 years, so investors should be comfortable with the guidance.

Consolidation is expected to continue in the utility industry in the coming years. Fortis has a strong track record of making large accretive acquisitions in the United States, and more deals could be on the way. A strong Canadian dollar and cheap borrowing costs might be the right combination to make a move.

Fortis could also become a takeover target for a large alternative asset manager.

Investors have enjoyed great long-term returns from Fortis. A $10,000 investment in the stock 25 years ago would be worth $200,000 today with the dividends reinvested.

The bottom line on RRSP investing

Royal Bank and Fortis are top Canadian stocks with great track records of providing investors with above-average returns. If you have some cash to put to work for your personal pension fund, these stocks deserve to be on your RRSP radar.

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1. Investing

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
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