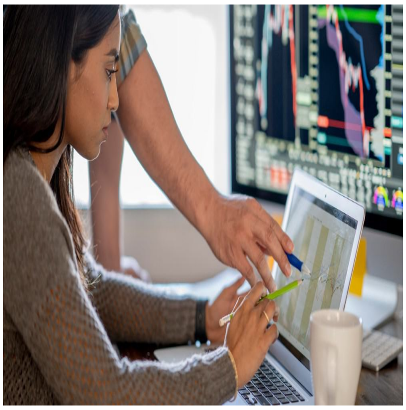

Retire Rich: 2 Top Canadian Stocks to Build RRSP Wealth

Description

Canadian savers are searching for top **TSX** stocks to add to their RRSP portfolios. While the overall market appears expensive right now, there are still some good deals for a buy-and-hold RRSP fund.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) stock trades near $133 per share at the time of writing compared to the 2021 high around $149. The dip is due to CN's deal to buy **Kansas City Southern**, a U.S.-based railway, for US$30 billion. CN outbid its Canadian rival, **CP Rail**, by 20% to win the right to acquire Kansas City Southern. The market is concerned the deal could get blocked by regulators. In the event the deal goes through, analysts wonder if CN is taking on too much debt and paying too high a premium.

Near-term volatility should be expected as the situation gets sorted out, but CN looks undervalued right now regardless of the takeover outcome. The company generates solid profits and free cash flow to cover capital expenditures and dividends. CN's compound annual dividend growth rate (CAGR) since it went public in the 1990s is about 15%. Steady dividend hikes should be on the way even if the takeover is completed.

The Canadian and U.S. economies are set to grow at a robust pace as we exit the pandemic. That bodes well for all of CN's business units. The company transports everything from forest products, grain, fertilizer, cars, and crude oil, to finished goods.

Long-term investors have done well with the stock. A $10,000 investment in CN just 20 years ago would be worth about $175,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with $56 billion in assets located in Canada, the United States, and the Caribbean.

The business has grown significantly over the years through strategic acquisitions and internal development projects. Fortis's current five-year capital program of $19.6 billion should drive strong cash flow growth. The rate base is set to rise from $30 billion in 2020 to $40 billion in 2025. As a result, the board expects revenue growth to support average annual dividend increases of 6% over that timeframe.

Investors should feel confident with the strong dividend growth guidance. Fortis raised the payout in each of the past 47 years, making it one of Canada's top dividend stocks.

Rising interest rates would be a potential headwind for the share price, but rates are expected to remain low for quite some time. The low-rate environment helps Fortis borrow funds at cheap levels for its capital program or to make strategic acquisitions. With the Canadian dollar now at its strongest level against the greenback in several years, Fortis might decide to make another U.S. acquisition.

Investors who buy the shares today can pick up a 3.5% dividend yield. That's lower than some other popular dividend stocks in the TSX Index, but the solid guidance on the distribution growth and the reliable revenue streams from the utility assets make the stock a great pick for a retirement portfolio.

A $10,000 investment in Fortis 25 years ago would be worth more than $200,000 today with the dividends reinvested.

The bottom line on RRSP investing

RRSP investments tend to be buy-and-hold decisions, so it makes sense to search for top stocks that have great track records of dividend growth and rising stock prices. CN and Fortis fit the description and should continue to perform well for a self-directed RRSP portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
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