



2 Top Stocks to Build RRSP Wealth

Description

Canadian savers are searching for the best stocks to grow the size of their RRSP portfolios.

Best RRSP stocks

RRSP investments tend to be buy-and-hold positions rather than short-term trades to book a quick profit. As a result, it makes sense to search for stocks you can comfortably own for decades.

Time is a powerful ally in the quest to build RRSP wealth, especially when investors harness the power of compounding. Top [dividend stocks](#) that pay rising distributions tend to be great RRSP picks. The dividends can be used to buy new shares and take advantage of a snowball effect that has the potential to turn small initial investments into substantial savings.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a top Canadian utility stock with more than \$50 billion in assets located across Canada, the United States, and the Caribbean.

The company has grown through strategic acquisitions and internal projects. Fortis currently has a \$19.6 billion five-year capital program in place that will increase the rate base from \$30 billion in 2020 to roughly \$40 billion in 2025. The resulting rise in cash flow is expected to support average annual dividend increases of 6% over the duration of the capital plan. Fortis has other initiatives under consideration that could boost the asset base in the next couple of years and increase the size of the dividend increases.

In addition, new acquisitions could be in sight. The integration of the last two big deals in the United States went well. With the Canadian dollar at a multi-year high and borrowing costs near record lows there might be an opportunity for Fortis to add new strategic assets.

Fortis raised the dividend in each of the past 47 years. A \$10,000 investment in the stock 25 years ago

would be worth about \$200,000 today with the dividends reinvested.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank with a market capitalization of \$98 billion. The bank has strong Canadian personal, commercial, capital markets, and wealth management operations, as well as a large international presence in the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia.

Latin America poses risks due to the political and economic uncertainties connected to these developing markets, but the long-term opportunities are attractive. Banking penetration is less than 50% in the combined market of more than 230 million consumers. As the middle class expands, demand for credit cards, car loans, mortgages, and investment products should increase.

The Pacific Alliance countries have eliminated most tariffs to boost trade in the bloc and enable the free movement of capital and labour. Bank of Nova Scotia's position in all four of the countries gives it an advantage in serving commercial clients that are expanding into the other areas and need a host of cash-management services.

Bank of Nova Scotia reported strong fiscal [Q2 2021 results](#) and is sitting on excess capital it built up to cover potential pandemic losses. Loan defaults are much lower than the worst-case scenario, and Bank of Nova Scotia has a number of options to deploy the extra cash. The [banks](#) should get the green light to restart dividend hikes and share buybacks later this year or in early 2022. When that happens, Bank of Nova Scotia's investors should see a generous dividend increase.

Long-term RRSP investors have done well with the stock. A \$10,000 investment in Bank of Nova Scotia 25 years ago would be worth more than \$240,000 today with the dividends reinvested.

The bottom line on RRSP wealth

Buying top dividend stocks and using the distributions to acquire new shares is a proven strategy to build RRSP wealth. Fortis and Bank of Nova Scotia are top-quality dividend stocks that deserve to be part of a diversified RRSP portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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