2 Top Dividend Stocks to Start Your RRSP Today

Description

Canadian savers are searching for top stocks to help them build a substantial retirement portfolio. The overall stock market appears expensive today, but some high-quality dividend stocks still look attractive to start your RRSP fund.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications industry. The B.C.-based company has wireline and wireless network infrastructure across the country that provides mobile, internet, and TV services. Telus avoided the temptation to buy media assets, bucking the trend followed by its peers.

Only time will tell if that strategy is a wise one. For the moment, the lack of a media division has not hurt the company.

Instead, Telus has invested heavily in its Telus Health group. The division is a leader in providing Canadian doctors, hospitals, and insurance companies with digital solutions. The pandemic fast-tracked adoption of digital health products and services and the trend is expected to continue as the sector is ripe for disruption.

Telus Health could grow significantly in the coming years and investors might see a windfall from a potential initial public offering of the group. It’s possible the market hasn’t fully priced the Telus Health opportunity into the share price. Telus successfully spun off its international business in early 2021.

On the telecom side, Telus is investing in new fibre optic and 5G network expansion that will help protect its competitive advantages while opening up new revenue opportunities. Telus is also ramping up its security services as homeowners and businesses become more concerned with remote monitoring of their properties.

The company has a long track record of delivering strong dividend growth and that should continue for years. Telus stock appears attractively priced right now and offers a solid 4.6% dividend yield.

TD Bank

TD (TSX:TD)(NYSE:TD) is a giant in the Canadian retail banking sector and is ranked among the top 10 in the United States. The American business has grown significantly over the past 15 years and is a strong complement to domestic operations.

TD set aside billions of dollars last year to cover potential loan losses. Government aid has helped homeowners and businesses avoid a worst-case scenario and TD is now sitting on excess capital. Once the Canadian banks get the green light to resume dividend hikes, investors should see a strong distribution increase from TD.

The bank tends to be generous when returning profits to shareholders. Compound annual dividend increases have averaged roughly 10% per year over the past two decades.

TD currently trades below 11 times trailing 12-month earnings. That's a reasonable price to pay for the stock, giving TD a strong market position and profitability. At the time of writing TD trades for close to $83 per share compared to the 2021 high of $89. Investors can currently pick up a 3.8% dividend yield. That's much better than any GIC rate and you get the benefit of rising dividends in the coming years.

The bottom line on RRSP investing

RRSP investments tend to be buy-and-hold positions with dividends used to purchase additional shares. This harnesses a compounding process that can turn small initial holdings into significant sums over the course of 20 or 30 years.

Telus and TD are top-quality Canadian dividend stocks that have delivered great returns for investors and should be solid anchors for a diversified RRSP portfolio.

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