



2 Top Canadian Stocks for Young RRSP Investors

Description

Saving for retirements is not always easy for young investors, but a relatively small amount of money invested in top Canadian [dividend stocks](#) can turn into a significant RRSP portfolio over the course of 20 or 30 years.

Top RRSP stocks

RRSP investments tend to be buy-and-hold positions, so it makes sense to search for market leaders that have proven track records of delivering steady long-term returns. A balanced portfolio is always recommended and top-quality dividend stocks often make up the core holdings.

One popular RRSP strategy involves owning dividend-growth stocks and using the distributions to buy new shares. This harnesses the power of compounding to build the retirement fund. The **TSX Index** is home to many great dividend stocks that still appear attractive right now, even after the large market rally off the 2020 crash.

Canadian National Railway

CN ([TSX:CNR](#))([NYSE:CNI](#)) is a leading player in the North American rail industry with a network that connects the Pacific and Atlantic coasts of Canada to the Gulf Coast in the United States. The company's stock price came under some pressure in recent months due to a US\$30 billion bid to acquire **Kansas City Southern**, a small U.S. railway that has strategic lines running to Mexico.

CN outbid **CP Rail** by 20% to win the approval of Kansas City Southern's board, but investors are concerned regulators will block the deal and that CN might be paying too much for the acquisition. In the big picture, these concerns appear overblown.

Why?

The company enjoys a wide moat and is strategically important to the smooth operation of the

Canadian and U.S. economies. CN already generates strong free cash flow and has a good track record of raising the dividend and repurchasing shares. If the deal goes through, the competitive position will strengthen.

As such, I think the stock looks [undervalued](#) right now near \$135 per share, regardless of the takeover outcome.

Long-term holders of the shares have made decent money. A \$10,000 investment in CN stock just 20 years ago would be worth about \$165,000 today with the dividends reinvested.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank by [market capitalization](#) and among the top 10 in the United States. The bank built up its American presence through acquisitions over the past 15 years, and the division is now a major contributor to earnings.

The government forced the Canadian banks to put dividend hikes on pause during the pandemic. Now that the economy is starting to recover, and the threat of massive loan losses is receding, the banks will likely get the green light to boost payouts again by the end of this year or sometime in early 2022. TD is sitting on substantial excess cash right now, so investors should receive a string of generous dividend hikes in the next few years. The bank is one of Canada's top dividend payers, with a compound annual dividend-growth rate of better than 10% over the past 20 years.

TD is very profitable, even in challenging times, and is a great stock to own to benefit from economic growth in both Canada and the United States. A \$10,000 investment in TD two decades ago would be worth about \$88,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

Owning top dividend stocks like CN and TD can help young RRSP investors build substantial savings for retirement. The strategy of using dividends to buy new shares requires patience and discipline, but it can pay off handsomely over time.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/27

Date Created

2021/08/21

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