Retirement Planning: 3 Must-Have Stocks for Your RRSP

Description

Not every retirement stock needs to last till retirement, and that's something an investor shouldn't lose sight of. If you are buying good stock, one that's expected to slowly and steadily grow for decades (and hopefully pay decent dividends as well), and it stops being a good stock, you should cut it loose and invest the returns in a better stock.

But it's important to remember that there is a vast difference between temporary fluctuations and a stock that's on a one-way downhill road.

And if you are looking for some good stocks to add to your RRSP today that are supposed to add significant value to your retirement, there are three that should be on your radar.

A REIT

An aristocratic yield with a juicy yield and a safe payout ratio is always an excellent addition to your retirement portfolio, and **CT REIT** (TSX:CRT.UN) fits the bill. It's essentially a part of **Canadian Tire**, as most of its real estate assets are leased out to the company. This close tenant-landlord relationship gives this REIT an edge.

CT REIT is currently offering a juicy 4.7% yield, and the payout ratio is quite stable at 64.2%. Even though it's an Aristocrat, you can't expect your payouts to grow by a significant margin. But it ensures the relative safety of your payouts. The REIT is a bit overpriced, and even though it's not a decent growth stock, there is some capital-appreciation potential. The stock has a five-year CAGR of 9.1%.

An insurance company

Sun Life (TSX:SLF)(NYSE:SLF) is another Aristocrat that has been growing its payouts for the last six years. It offers a slightly different combination of growth potential and dividends. The yield is lower than the REIT (3.3%) at a highly stable payout ratio of 38.7%. And its payout growth is relatively more considerable.

It grew its payouts from $0.42 per share in 2017 to $0.55 in 2020/2021. The company will have to grow its dividends at least once in 2021 to continue its streak.

The growth potential is relatively more attractive. Sun Life has a 10-year CAGR of 14.8%, which can be substantial in your RRSP portfolio, especially if you are keeping the company in there for a few decades. The price is just right as well. The company is growing its business in multiple areas. It recently partnered up with a company to offer better healthcare “navigation” to policyholders.

A bank

As one of the Big Five, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) offers stability — a characteristic of the banking sector. While CIBC has offered a generous yield for some time now, it was not one of the better growth stocks in the banking sector. However, the recent spike, which pushed the valuation almost 99.5% from its crash value has also skewed the 10-year CAGR, and it’s now 12.1%.

But even if the bank has a difficult time maintaining it in the future, you might still get a little bit of capital appreciation from it and a decent amount of dividend income thanks to its almost 4% yield. The bank recently beat profit expectations, which might be enough to help the market value regain a little bit of momentum it has lost in the last three weeks.

Foolish takeaway

The three stocks offer a decent combination of dividends and growth. Only one of them is currently undervalued, and you might want to wait for the others to dip at well. You’ll be able to get a discounted price in addition to a more attractive yield. You can also opt for dividend reinvestment to grow your stake, so when you do start a passive-income stream, you have enough shares to get a decent payout.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:CRT.UN (CT Real Estate Investment Trust)
4. TSX:SLF (Sun Life Financial Inc.)

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