RRSP Investors: 2 Top Canadian Dividend Stocks to Buy Now and Own for Decades

Description

Canadians who contribute to their RRSP on a regular basis are constantly searching for top stocks to buy that will generate good long-term returns in a self-directed portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) started out as a small electric utility in eastern Canada. Today, the company has grown to become a major player in Canada, the United States, and the Caribbean with $56 billion in assets. The operations include power generation, electric transmission, and natural gas distribution businesses.

These companies largely operate in rate-regulated environments, so Fortis has a pretty good handle on how much revenue it will generate each year. This translates into predictable cash flow, which is great for investors who want to own top-rated dividend stocks.

Fortis grows through acquisitions and organic projects. The past few years have seen investments primarily directed at internal development opportunities. In fact, Fortis currently has a $19.6 billion capital program on the go that will run through then end of 2025. The rate base growth as the assets go into service should support average annual dividend increase of at least 6%, according to the company's latest earnings report. That's great guidance.

Investors should feel confident Fortis will deliver on the goal. The company raised the dividend in each of the past 47 years.

Buy-and-hold RRSP investors have done well with the stock. A $10,000 investment in Fortis 25 years ago would be worth about $200,000 today with the dividends reinvested.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a market capitalization of $60 billion. Homeowners and businesses often complain that mobile, TV, and internet services are too expensive in Canada, and that this is due to a lack of competition.

It's true that the service rates are expensive compared to other countries, but BCE and its peers argue that the higher fees are necessary to make the required investments to ensure customers have world-class network infrastructure to deliver the wireless and wireline services needed to remain competitive in the global economy.

The recent spectrum auction held by the government might support the argument put forward by BCE and the other players that they have to spend big to build the networks.

BCE paid $2 billion to acquire spectrum for its 5G network. **Telus** paid about $1.9 billion for the spectrum it needs. This is just the beginning of the expense to create the 5G infrastructure the country expects. In addition, BCE is spending billions of dollars on fibre optic lines that connect right to the house or business. Canada's expansive geography and relatively small population also come into play when the telecom players set rates.

That being said, the investments certainly help BCE protect its wide competitive moat, and the company raises prices when it needs extra cash. For investors, the result is a generous dividend that grows at a steady pace supported by rising free cash flow.

Regardless of your opinion as a customer, BCE deserves to be on your RRSP buy list. The stock has a great track record of delivering attractive returns, and that should continue. At the time of writing, the dividend provides a 5.4% yield. This is better than any GIC will pay for a long time.

The bottom line

Fortis and BCE are top-quality dividend stocks that should continue to be anchor picks for a self-directed RRSP. The shares are not as cheap as they were a year ago, but the quality of the dividends makes them attractive picks, and they should hold up reasonably well when the broader market goes through the next correction.

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