



1 Top RRSP Stock to Buy for 2022

Description

RRSP investors are starting to look for top **TSX** stocks to add to their self-directed [online brokerage](#) portfolios as we head into the post-pandemic recovery.

Let's take a look at **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) to see why it might be a top pick for 2022 and beyond.

TC Energy

TC Energy gets most of its revenue from regulated businesses or long-term contracts. The company is a major player in the North American energy infrastructure industry with assets in Canada, the United States, and Mexico. TC Energy has oil pipelines and power generation assets, but the core of the business is focused on natural gas transmission and storage.

Natural gas is quickly becoming the favoured fuel to help countries shift from oil-fired and coal-fired power production to clean energy. Natural gas produces significantly less carbon dioxide than oil and coal when burned, making it a good transition option as the world ramps up solar and wind investments.

The current power crisis in Europe is an indication that reliable backup power is needed, even when countries get to the point where they are generating most of their normal power through renewable sources. Climate change is causing dramatic weather conditions that will drive surges in power demand. When the wind stops blowing or the sky is cloudy, renewable energy sources become unreliable.

Canada and the United States have abundant natural gas resources that are relatively cheap to produce. This should enable domestic producers to become key suppliers to the international liquified natural gas (LNG) market. TC Energy has more than 90,000 km of natural gas pipeline infrastructure with strategic connections to support current and future LNG facilities.

Earnings

TC Energy reported solid [Q2 2021 results](#). Comparable earnings came in at \$1.0 billion or \$1.36 per share versus \$863 million, or \$0.92 per share in the same period last year.

Management expects full-year 2021 results to be in line with 2020, a record year for the company.

Dividends

TC plans to increase the dividend by 5-7% per year over the medium term, supported by its current \$21 billion capital program.

The current quarterly dividend of \$0.87 per share provides an annualized yield of 5.5%. The stock trades near \$63.50 at the time of writing, compared to the 2021 high of around \$65 and the pre-pandemic price of \$75.

Dividend growth could average near the high end of guidance through 2025 if TC Energy adds projects to the current capital plan or makes a strategic acquisition. Consolidation is expected to continue in the energy infrastructure industry and TC Energy has the financial clout to pull off large deals. In fact, TC Energy spent US\$13 billion in 2016 to buy Texas-based Colombia Pipeline Group.

The bottom line on RRSP investing

The stability of TC Energy's business through the past 18 months is a good reason for investors to consider the stock for a buy-and-hold RRSP portfolio. TC Energy pays an attractive dividend that should continue to grow at a healthy pace, rendering it an ideal stock for RRSP investors who use distributions to buy more shares.

The stock looks cheap right now and provides an above-average yield.

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