RRSP Alert: 2 Top TSX Dividend Stocks to Buy Now

Description

RRSP investors are searching for top TSX dividend stocks to add to their self-directed portfolios. The overall market looks expensive right now, but some stocks still appear reasonably priced for a buy-and-hold retirement fund.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is the eighth-largest bank in North America by assets. It is the fourth largest in Canada by market capitalization. The bank has been helping customers since 1817, and investors have received a dividend every year since 1829.

Despite the challenges of the pandemic, Bank of Montreal continues to target annual earnings-per-share (EPS) growth of 7-10% and return on equity (ROE) of better than 15%. The company's fiscal Q3 2021 results came in on target. Adjusted net income for the quarter was $2.3 billion, and ROE came in at 17.6%.

Bank of Montreal finished fiscal Q3 with a CET1 ratio of 13.4%. The strong capital position is well above the 9% minimum, and it is likely that Bank of Montreal's cash hoard is now larger than needed to cover potential pandemic losses.

As a result, investors should see a generous dividend increase as soon as the Canadian banks get the green light from the government to restart payout hikes. Investors who buy the stock at the time of writing can pick up an annualized dividend yield of 3.3%.

The stock trades near $128 per share compared to the 2021 high of $132, so investors have an opportunity to pick up the stock on a small pullback.

Bank of Montreal should benefit if interest rates start to drift higher next year.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a key player in the Canadian midstream segment of the energy sector. The company provides a variety of services to oil and gas producers, including pipelines, gas gathering and processing, and logistics.

Pembina Pipeline has grown steadily over the past 65 years through a combination of acquisitions and organic projects. Management isn't shy when it comes to doing big strategic deals or forming key partnerships. Recent announcements include partnerships with First Nations groups to explore the development of a liquified natural gas (LNG) facility in British Columbia and another that is evaluating the potential purchase of the Trans Mountain pipeline from the Canadian government.

Pembina Pipeline is also partnering with **TC Energy** to develop a carbon sequestration project that will help oil companies meet ESG goals, including net-zero emissions targets set for 2050.

Pembina Pipeline's share price soared off the 2020 low, but still appears cheap. Investors who buy the stock near the current price of $40 per share can pick up a solid 6.3% dividend yield.

Management moved quickly in the early part of the pandemic to raise funds and delay capital programs to shore up the balance sheet. This enabled the firm to maintain the distribution last year. With the energy sector rebounding and projects coming back online, dividend growth should continue in 2022 or 2023.

The bottom line for RRSP investors

Bank of Montreal and Pembina Pipeline are top TSX dividend stocks that deserve to be on your radar for a buy-and-hold RRSP portfolio. The stocks should perform well in 2022 and beyond. If you only buy one, I would probably make Pembina Pipeline the first choice today. The dividend yield is much higher, and the stock likely has better near-term upside potential.

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