2 Great Canadian Dividend Stocks for RRSP Investors

Description

Canadian savers are searching for top dividend stocks to put in their RRSP portfolios. The overall market looks expensive these days, but there are still attractive picks for a buy-and-hold retirement fund.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has paid a dividend every year for nearly two centuries. That's right; the bank issued its first dividend in 1829, and investors have received a slice of the profits annually ever since.

Dividend reliability is an important consideration for investors who want to maximize total returns on their RRSP stock holdings. This is particularly true when the distributions are used to buy new shares. The compounding process can turn small initial positions into large savings over time when dividend growth is combined with a rising share price.

Bank of Montreal is Canada's fourth-largest bank by market capitalization. Investors often overlook the stock in favour of its peers, but Bank of Montreal probably deserves more attention. The company has a balanced revenue stream coming from several sectors, including personal banking, commercial banking, wealth management, and capital markets.

The large U.S. operations provide access to economic growth south of the border, and Bank of Montreal has lower relative exposure to the Canadian housing market than some of its peers.

The company is sitting on excess cash it built up to cover potential loan losses due to the pandemic. Deferrals and government aid helped avoid the worst-case scenario, and Bank of Montreal will look for ways to deploy the extra funds. Investors could see a generous dividend increase once the government gives the banks the green light to restart distribution hikes. In addition, share buybacks should ramp up, and Bank of Montreal could seek out a strategic acquisition to boost its U.S. business.

BCE

BCE (TSX:BCE)(NYSE:BCE) has been a favourite among dividend investors for decades. The generous payout is attractive for retirees seeking passive income and for younger investors looking to build their self-directed pension funds.

BCE has done a good job of pivoting its business to stay relevant as the communications industry evolves. The company continues to invest billions of dollars on wireless and wireline network upgrades to ensure its customers have the broadband they need, while protecting the wide moat BCE enjoys in the market.

BCE spent $2 billion on new spectrum in 2021 to prepare for an expansion of its 5G network. The next phase of the wireless sector offers BCE new revenue opportunities. A decision by the CRTC earlier this year to scrap planned cuts to wholesale internet rates sets BCE up to make clearer investment decisions on its infrastructure. The clarity should also pave the way for the stock to move higher in the next few years.

BCE's media revenue is rebounding from the pandemic hit. In addition, roaming charges should bounce back in the coming months, as people begin to travel for work and holidays.

The stock is down from the 2021 high, giving investors a chance to buy BCE on a dip. At the time of writing, the shares trade below $63 and offer a 5.6% dividend yield.

The bottom line on top RRSP dividend stocks

Bank of Montreal and BCE have long track records of providing investors with reliable dividends and attractive total returns. If you have some cash to put to work in a buy-and-hold RRSP portfolio, these names deserve to be on your radar today.

CATEGORY

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