



New Investors: 2 Top TSX Stocks to Start Your RRSP

Description

The RRSP has been around for decades, and investors with a buy-and-hold approach have built substantial savings for [retirement](#) by maximizing their RRSP contributions.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with \$56 billion in assets located in Canada, the United States, and the Caribbean.

Revenue primarily comes from regulated businesses, so cash flow tends to be predictable and reliable. This is an important characteristic to look for when picking top stocks for a self-directed RRSP fund. The idea is to buy the shares and simply forget about them for decades.

Fortis grows through acquisitions and internal development projects. The company hasn't made a large purchase in five years, so a new deal could be on the way, while the Canadian dollar is strong against U.S. currency and borrowing rates remain near all-time lows.

Fortis is working through a \$19.6 billion capital program that will drive revenue growth through 2025. The company expects the rate base to expand by a third over a five-year span. As a result, cash flow should increase enough to support average annual dividend hikes of 6% in the next four years. Fortis raised the payout in each of the past 47 years.

The company has additional projects under consideration that could extend the guidance or boost the size of distribution increases.

Fortis trades near \$56.50 at the time of writing compared to the 2021 high above \$59, so investors have a chance to buy the stock on a dip and pick up a 3.8% dividend yield.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank with a [market capitalization](#) of \$184 billion. The company is an earnings machine, even during these challenging economic times. Royal Bank reported fiscal Q3 2021 earnings of \$4.3 billion.

The bank set aside billions of dollars last year to cover potential losses due to the pandemic. In the latest quarter Royal Bank released \$638 million in provisions for credit losses (PCL). This means the bank's customers are getting back on their feet and making their payments.

Some pain is expected as government aid programs end, but Royal Bank has the capital to absorb the hits. Investors should see a generous dividend hike when the banks get the green light to restart distribution increases. That could happen as early as Q1 next year.

Royal Bank isn't as cheap as it was last year, but the stock still deserves to be an anchor position in a retirement portfolio. The expected dividend increase along with share buybacks and potential acquisitions in the next few years should support revenue and profit growth and drive the shares higher.

Investors who buy the stock near the current price of \$129 can pick up a 3.3% dividend yield.

The bottom line on RRSP investing

Top TSX stocks like Fortis and Royal Bank have long track records of delivering solid returns for investors, and the trend should continue. If you are searching for top stocks to buy for a self-directed RRSP, these companies deserve to be on your list.

CATEGORY

1. Investing

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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