RRSP Investors: 2 Top TSX Stocks for Dividend Growth

Description

RRSP investors often search for top dividend stocks to add to their self-directed portfolios. The overall TSX Index looks a bit expensive today, but investors can still find some attractive buy-and-hold picks.

Telus

Telus (TSX:T)(NYSE:TU) operates wireless and wireline communications networks that provide customers with mobile, internet, and TV services. The company also has a growing division focused on the health industry.

Telus Health is a leading provider of digital health solutions for doctors, hospitals, and insurance companies. The pandemic has fast-tracked the evolution of digital healthcare, and Telus stands to benefit, as the momentum looks set to extend beyond the COVID-19 crisis.

One million new virtual healthcare members joined Telus Health from the end of Q2 2020 through the first six months of 2021. Health services revenue soared 26% in the quarter compared to the same period last year.

Another interesting division is Telus Agriculture. The group is expected to bring in $400 million in revenue in 2021 with growth above 10%. Telus has a strong track record of building value through its projects that operate outside the traditional communications sphere. The company successfully spun off its international operations earlier this year at a valuation that was roughly in line with what Telus as a whole was worth about 20 years ago.

Telus is investing heavily in the expansion of its 5G network and continues to upgrade legacy copper lines to fibre optic ones. These initiatives help protect the strong market position Telus enjoys while providing customers with the broadband they need in a rapidly changing communications and entertainment world.

The heavy capital outlays should start to decrease in 2023, making additional cash flow available for distributions.

Telus has a great track record of dividend growth, and that trend should continue. The current payout provides a yield of 4.55%. The stock is off the 2021 highs, giving RRSP investors a chance to add the shares to their portfolios at a reasonable price.

CIBC

CIBC (TSX:CM)(NYSE:CM) isn't as cheap as it was in 2020, but the stock still offers a 4% yield, and investors will likely see a large dividend increase as soon as the banks get the green light from the government to restart payout hikes.

Management made acquisitions in the United States in recent years to diversify the revenue stream away from the Canadian market. CIBC is sitting on excess capital it set aside to cover potential loan losses, and part of the funds could be used to do additional deals south of the border.

On the risk side, CIBC has more exposure to the Canadian residential mortgage market than its larger peers on a relative basis. The housing crash that some people predicted due to COVID-19 never materialized. In fact, the market went into overdrive, fueled by cheap rates and the surge in demand for larger properties in major markets.

Interest rates will eventually rise, and a sharp spike over a short period of time could trigger a meaningful pullback in the housing market. In the event of a crash, CIBC would likely take a larger hit than the other banks. That being said, higher interest rates are typically a net benefit for the banks, and while the housing market could slow down, a crisis similar to what occurred in the United States during the Great Recession is unlikely.

The bottom line

Telus and CIBC are good companies offering attractive dividends that should grow at a steady pace in the coming years. If you have some cash to put to work in a buy-and-hold RRSP fund focused on dividend stocks these names deserve to be on your radar.

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