RRSP Investors: 2 Top Stocks to Buy Now for Dividends and Capital Gains

Description

Canadian savers are searching for top **TSX** stocks to add to their self-directed RRSP portfolios.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) recently raised its dividend by nearly 6%. While that might not sound like a big deal, consider that the board has increased the payout for 48 straight years. This means investors who bought the stock decades ago have enjoyed strong returns, even without including the capital gains. The steady dividend growth combined with the stock price has been a powerful combination.

In fact, a $10,000 investment in Fortis 25 years ago would be worth about $170,000 today with the dividends reinvested. At the current dividend yield of 3.9%, the holdings would now provide roughly $6,600 per year in distributions!

That's the beauty of the power of compounding inside a self-directed RRSP portfolio.

Fortis remains an attractive stock to buy today. The company just released solid Q3 2021 results and updated its five-year capital program through 2026 to $20 billion. Increases in the asset base should support average annual dividend hikes of at least 6% through 2025, extending the long track record of dividend growth.

Fortis is a great example of how owning top dividend stocks in an RRSP portfolio can help investors turn small initial positions into substantial sums for retirement.

Telus

Telus (TSX:T)(NYSE:TU) is Canada's second-largest communications company with a market capitalization of $36 billion.

The business is best known for its wireline and wireless communications networks and services. Telus offers mobile, internet, and TV subscriptions to clients across the country. New revenue streams are emerging in areas like security where home and business monitoring are becoming more important.

Telus is also setting itself up for revenue growth by investing in new fibre optic lines and 5G networks. The evolution of the communications industry is continuing at a rapid pace as people and companies increasingly require more broadband delivered across multiple platforms.

Telus has other divisions that might not be headline grabbers but could grow to be significant contributors to revenue expansion in the coming years. Telus Health, for example, is a leading provider of digital solutions to healthcare professionals, hospitals, and insurance companies. The group’s revenue soared in the past two years and the positive momentum is expected to continue as the adoption of virtual healthcare expands.

Telus Agriculture, meanwhile, helps farmers drive efficiency in their businesses, providing technology and digital products to improve operations on the farm and track food as it moves to the retail location.

Telus has a good track record of building out these side ventures. The company spun off its Telus International subsidiary earlier this year at an initial market capitalization of $8.5 billion. It was the fifth-largest initial public offerings by total proceeds raised in the history of the TSX.

Telus has a great track record of boosting its dividend twice per year. The average annual payout increase is expected to be 8-10% over the medium term. That could expand beyond 2023 when the capital outlays decrease.

The stock is down from the 2021 high, giving investors a chance to buy on a dip and pick up a solid 4.5% dividend yield.

A $10,000 investment in Telus 25 years ago would be worth more than $100,000 today with the dividends reinvested.

The bottom line on top total return stocks

Fortis and Telus are top TSX dividend stocks that should continue to deliver attractive total returns for RRSP investors. If you have some cash to put to work these stocks deserve to be on your radar.

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