RRSP Investors: 2 Top Dividend Stocks to Buy Now and Own for 20 Years

Description

RRSP investors are searching for top dividend stocks to put in their self-directed retirement portfolios.

TD Bank

TD (TSX:TD)(NYSE:TD) is Canada's second-largest bank with a market capitalization of $169 billion. The company is well known for its retail banking operations in Canada and the United States. TD invested billions south of the border on a series of acquisitions over the past 15 years to build up a large American business primarily focused on the east coast from Maine right down to Florida.

TD set aside billions of dollars during the pandemic to cover potential loan losses, but the situation never got as bad as anticipated. Government aid programs for businesses and homeowners helped borrowers make payments. This avoided the worst-case scenario, and TD is now sitting on a pile of extra cash.

The Canadian banks recently received permission to start raising dividends again after a ban on payout increases went into place in 2020. TD has a long track record of giving investors double-digit raises annually, so it wouldn't be a surprise to see TD announce a dividend increase of at least 20% when it reports fiscal Q4 2021 results.

TD remains very profitable, and the outlook for higher interest rates should be positive for the bank, even if some customers run into trouble making the higher payments. Rising interest rates normally translate into better net interest margins for the banks. In addition, the banks can earn more on the funds they need to set aside to cover deposits.

TD trades near its 2021 high, but still looks cheap at roughly 11 times trailing 12-month earnings.

Long-term holders of the stock have enjoyed attractive returns. A $10,000 investment in TD stock 20 years ago would be worth about $97,000 today with the dividends reinvested.

Investors who buy now can pick up a 3.4% dividend yield and wait for the dividend increase.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a market capitalization of $58 billion. The company has the size and balance sheet strength to make the billions of dollars of investments required to ensure its customers have world-class broadband services.

The pandemic demonstrated the resilience of the Canadian communications network infrastructure when much of the country was forced to work and study from home.

BCE and its peers received some good news from the CRTC in May of 2021 when the regulator dropped plans to force cuts to wholesale internet rates. The decision gave BCE a clearer picture of its future revenue stream and enabled the company to immediately increase its capital plan by $500 million.

BCE spent $2 billion on new spectrum this summer that will be the foundation for the expansion of its 5G network. BCE is also continuing its program of running fibre optic lines directly to homes and businesses.

As the economic recovery picks up momentum, BCE should see steady revenue and cash flow growth. The media division is already enjoying a rebound as advertisers spend more money across the various platforms, and the sports teams play in arenas full of fans. On the wireless side, lucrative roaming fees should bounce back in 2022 with the increase of holiday and business travel.

The stock trades at a reasonable price and offers a 5.5% dividend yield at the time of writing.

A $10,000 investment in BCE 15 years ago would be worth about $50,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

TD and BCE are leaders in their respective industries and should be solid picks for a buy-and-hold, self-directed RRSP focused on dividends. If you have some cash to put to work, these stocks deserve to be on your buy list.

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2. Investing

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