



RRSP Investors: 2 Top Dividend Stocks That Can Fund Your Retirement

Description

A Registered Retirement Savings Plan (RRSP) is the obvious choice for retirement savings. One of the main selling points of the account is that taxes on all gains and contributions are deferred until you actually withdraw the funds. That means all of your capital gains from stock price appreciation and dividends can compound year after year, tax-free. You'll only need to pay taxes on those gains once you're ready to begin withdrawing funds from the account.

Another benefit of the RRSP is that dividends paid by a U.S. stock are not taxed. So if you're looking to broaden your American exposure, an RRSP is a wise choice to keep your U.S. dividend stocks.

Whether you're saving for retirement or already enjoying your golden years, I'd strongly recommend owning both of these [top dividend stocks](#). The two companies pay dividends that not many companies can match and are trading at very reasonable prices today.

Bank of Nova Scotia

At a \$100 billion market cap, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is the third-largest bank in Canada.

Amongst the Big Five, the Bank of Nova Scotia is a leader when it comes to dividends. At today's stock price, the Bank of Nova Scotia's annual dividend of \$3.60 per share yields 4.35%. Not only is that the highest yield amongst the Big Five, but Nova Scotia is also the only Canadian bank yielding above 4% right now.

Bank of Nova Scotia isn't only a top dividend stock for its yield. The bank has been paying a dividend to its shareholders for close to two centuries. There aren't many Canadian stocks that can match that payout streak.

Not long ago, the Canadian banks were granted permission to begin increasing dividends. The COVID-19 market crash put a temporary ban on dividend hikes for the banks. With the Canadian bank stocks delivering impressive growth numbers throughout the pandemic, dividend growth rates may be higher

than expected in the coming year.

In addition to its impressive dividend, Bank of Nova Scotia's valuation alone is enough to have RRSP investors interested. While the bank stock is [trading at a discount](#) right now, I don't think that will last for long.

Shares are valued at a rock bottom forward price-to-earnings ratio of barely over 10. And that's even with the bank stock up 20% year to date.

Algonquin Power

Speaking of high-yielding dividend stocks that are trading at bargain prices, I've included **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) as one of my two top buys for RRSP [passive income](#) investors.

What really separates Algonquin Power from other dividend stocks is the company's market-beating track record. The utility stock's 4.8% dividend yield is certainly hard to match, but when you combine that dividend with the growth the stock has delivered as of late, not many Canadian stocks can offer what Algonquin Power does.

Shares of Algonquin Power are up a market-beating 65% over the past five years – and that's not including dividends. Over the past decade, it's easily managed to double the returns of the Canadian market.

What *really* has me bullish on this dividend stock is the rise in demand for renewable energy. In addition to the utility side of the business, Algonquin Power offers its customers a range of different renewable energy solutions. The growth of the renewable energy sector has been a key reason for the dividend stock's recent performance.

With a near-5% yield and growth potential that doesn't look like it will be slowing anytime soon, this is a can't-miss dividend stock for RRSP investors.

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2. NYSE:BNS (The Bank of Nova Scotia)
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Date

2025/07/04

Date Created

2021/11/22

Author

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