RRSP Investors: 2 Top Canadian Dividend Stocks to Buy Now and Own for Decades

Description

RRSP investors are searching for top Canadian dividend stocks that will deliver solid total returns for decades.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) often sits in the shadows of its larger Canadian peers, but the bank's stock price has outperformed the industry average in 2021 and should deliver strong results in 2022 and beyond.

The company has a balanced revenue stream coming from personal banking, commercial banking, capital markets, and wealth management activities. Bank of Montreal is also diversified by geography with its large presence in the United States.

The bank paid its first dividend in 1829 and has given investors a distribution ever since. That's nearly two centuries of steady dividends!

Bank of Montreal remains very profitable, even during these challenging times. The company is set to report fiscal Q4 2021 results on December 3. Investors should see a big increase to the dividend now that the banks are allowed to hike their payouts again after the removal of a government ban imposed last year. Bank of Montreal might also announce a new share-buyback plan.

The stock is up 45% this year and trades at 13 times trailing 12-months earnings. This isn't cheap, but Bank of Montreal isn't as heavily exposed to the Canadian residential housing market as some of its peers, so the market might be giving the stock a bit of a safety premium.

Investors who buy now can pick up a 3% dividend yield and wait for the dividend increase.

A $10,000 investment in Bank of Montreal 20 years ago would be worth about $88,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) has increased its dividend for 48 straight years. The company gets nearly all of its revenue from regulated assets; this means cash flow tends to be predictable and reliable. That's exactly what dividend investors want to see.

Fortis operates power stations, electric transmission lines, and natural gas distribution utilities. These are essential services that homes and businesses rely on in all economic situations, so the revenue stream is recession resistant. That's a big reason why Fortis has a low beta, meaning its stock price tends to be more stable than the broader market.

Fortis grows through acquisitions and internal development projects. The current $20 billion capital program will increase the rate base by about a third over the next five years. That is expected to drive enough revenue and cash flow growth to support average annual dividend increases of 6% through 2025.

Another acquisition or additional projects could boost the payout size and guidance in the next few years.

The dividend currently provides a 3.8% dividend yield.

A $10,000 investment in Fortis 20 years ago would be worth about $108,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

Bank of Montreal and Fortis are leading TSX dividend stocks that have provided investors with strong total returns for decades. If you have some cash to put to work in a self-directed RRSP portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
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