2 Top Canadian Stocks to Buy for Your RRSP

Description

Did you skip contributing to your Registered Retirement Savings Plan (RRSP) in 2021? If the answer is *yes*, you might want to reconsider and prioritize RRSP contributions. The contribution limit next year has increased. You can contribute 18% of your earned income this year or up to $29,210.

Tax-conscious individuals should take advantage because you can deduct RRSP contributions from your taxable income. More importantly, money growth is tax-free while the fund remains in the account if you're saving for retirement. You only pay taxes upon withdrawal.

The global pandemic might have altered your retirement plan, but it doesn't mean you can't get back on track. Your RRSP is still a surefire way to secure your financial future. However, investment selection is critical if you want a substantial nest egg in, say, 20 or 30 years. Compound growth is your reward if you contribute diligently from here on.

Dividend stocks are preferred investments because you can keep reinvesting the dividends. Your money (principal plus dividends) has a tax shelter until you withdraw funds or close the account at age 71. Among the **TSX** stocks suitable for the RRSP are **TELUS** (TSX:T)(NYSE:TU) and **Capital Power** (TSX:CPX). Both are recession-resistant assets you can own for years.

Multi-year dividend growth program

Canada's second-largest telco is the hottest pick, following its robust performance and killer earnings in Q3 2021. Apart from the 6.8% and 11.5% increase in operating revenue and net income versus Q3 2020, TELUS's free cash flow increased 26.1% to $203 million.

TELUS President and CEO Darren Entwistle said the consistent combination of industry-leading and profitable customer growth is why the quarter's operational and financial results were strong.

According to Telus Executive Vice-president and CFO Doug French, TELUS has a longstanding, multi-year dividend growth program. Because of the healthy balance sheet, management announced a dividend increase ($1.3096 on an annualized basis). The telco stock trades at $29.33 per share

(+20.3%) and offers an attractive 4.5% dividend.

Growth-oriented power producer

In the nine months ended September 30, 2021, Capital Power reported a 7.2% decline in revenues versus the same period in 2020. According to management, the unplanned outage in its Genesee 2 asset in mid-July was the reason for the revenue slide in Q3 2021. Nonetheless, net income after three quarters increased 20.9% year-over-year to $156 million.

Still, it was good news for investors because Capital Power announced a 6.8% increase in its annual dividend effective September 30, 2021. If you take a position today, the share price is $40.03, while the dividend yield is a fantastic 5.41%.

The $4.64 billion wholesale power producer owns and operates high-quality, utility-scale generation facilities, including renewables and thermal. Its 26 facilities in North America have a combined power generation capacity of 6,400 MW. Expect Capital Power's renewable generation capacity to increase further with several projects in the advanced development stage.

Mark your calendar

Although you pay taxes on RRSP withdrawals, they do not affect your contribution or deduction limit. If you want to reduce tax payables on your 2021 tax return significantly, you have to contribute to your RRSP until March 1, 2022. For investment options, you have two eligible dividend stocks in TELUS and Capital Power. Both companies have long growth runways.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:CPX (Capital Power Corporation)
3. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Dividend Stocks
2. Investing

Date
2025/08/21
Date Created
2021/11/27
Author
cliew