RRSP Investors: 2 Cheap TSX Dividend Stocks to Buy in December and Own for 20 Years

Description

Canadians are using their self-directed RRSP to hold top Canadian dividend stocks. The recent dip in the market is giving RRSP investors a chance to buy quality stocks at undervalued prices.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) just reported solid results for fiscal Q4 and full-year 2021. The bank generated an adjusted net income of $10.2 billion in the year ended October 31. That's up 46% compared to 2020. Diluted earnings per share rose 47% to $7.87.

The bank says all of its business lines have returned to or exceeded pre-pandemic earnings. The bank maintains a strong capital position with a CET1 ratio of 12.3%. This will support the 11% dividend increase and 24 million share buyback program along with providing financial firepower to make strategic acquisitions.

Bank of Nova Scotia's CEO has said the bank is considering wealth management deals in the United States.

The new quarterly dividend of $1.00 per share will provide an annualized yield of 4.8% at the current share price of $83. The stock is up 23% in 2021 and trades near its high for the year but still looks reasonable at the current earnings multiple.

The stock has trailed its peers in 2021 due to concerns around the impacts of the pandemic on international operations. Bank of Nova Scotia has a large presence in Mexico, Peru, Chile, and Colombia. The four countries form the core of the Pacific Alliance trade block and are home to more than 230 million people. The long-term growth potential for the Bank of Nova Scotia is attractive and should outweigh near-term risks.

The bank has provided investors with solid long-term returns. A $10,000 investment in Bank of Nova

Scotia 20 years ago would be worth about $70,000 today with the dividends reinvested.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) trades at $17.50 per share at the time of writing and provides a 4.9% dividend yield. The stock is down significantly after hitting $22.50 in February.

What's going on?

Algonquin Power recently announced a major acquisition. The company is buying Kentucky Power for US$2.846 billion. This is a big deal for Algonquin Power as it will add US$2 billion in rate base assets, pushing the regulated rate base up by 32%. Customer connections will rise by 19% and the size of the company's distribution and transmission infrastructure will jump 37%.

It appears the market is concerned that Algonquin Power might be biting off more than it can chew. The company issued $800 million in new stock at $18.15 per share in a bought deal financing, but investors want to know where the rest of funds will come from to pay for the deal. Algonquin Power has acquisition financing in place but says it will look at a combination of hybrid debt, non-core asset sales, and equity to ultimately pay for the deal.

Algonquin Power has a good track record of making successful acquisitions and this one looks positive for the business. The board has raised the dividend by 10% per year for several years, supported in part by strategic asset purchases.

The bottom line on top RRSP stocks

Bank of Nova Scotia and Algonquin Power pay attractive dividends that should continue to grow. The stocks appear attractive at their current prices and should be solid picks for a buy-and-hold RRSP portfolio.

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