2 Top RRSP Stocks to Buy Before 2022 for a 5% Yield

Description

If you've earned some serious income this year, you could save tonnes of taxes by making RRSP contributions. Your RRSP contributions reduce your taxable income. This is perfect for those in a high tax bracket. Your RRSP funds are meant to grow tax-deferred until you retire. There's little reason for you to withdraw from your RRSP before retirement. Therefore, it's suitable to invest long-term investments like stocks in your RRSP.

Here are two top RRSP stocks to consider buying before 2022.

U.S. stocks paying juicy dividends

According to Lower Miller in *The Single Best Investment*, a dividend stock has a juicy yield if its yield is 1.5 to two times that of the market's yield. The U.S. market yields about 1.3% at this writing. So, a juicy yield would be 1.95-2.6%.

Of course, it goes without saying that the dividends in consideration should be safe. There's a tax treaty between the U.S. and Canada, so when qualified U.S. dividends are received in our RRSP (or RRIF), there's no 15% withholding tax on it, whereas it would be present in other investment accounts, including TFSA, RESP, and non-registered taxable accounts. This is why you would want to hold high-yield U.S. dividend stocks in your RRSP versus other investment accounts.

> "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."
> *Warren Buffett*

Following Warren Buffett's teachings, a wonderful company at a fair price that's also a high-yield U.S. dividend stock is **Medical Properties Trust** (NYSE:MPW) yielding 5% at writing. The healthcare REIT is the second-largest non-government owner of hospitals in the world, leasing to quality hospital operators across nine countries. Its portfolio is comprised of 444 properties diversified across 52 tenants. About 73% of its portfolio mix is in general acute care.

Because the REIT is based on an absolute or triple net lease model, it gets to pass a lot of its costs (e.g., maintenance and taxes) to its tenants, while earning a long-term inflation-indexed stream of cash flow. Its weighted average lease term is about 15 years.

Since 2013, Medical Properties Trust has increased its cash distribution every year. It's a dividend stock to buy now for juicy passive income that will likely increase in Q1 2022!

Big dividend utility stocks

It's your retirement fund we're talking about! Buying dividend-growth stocks that pay safe and juicy dividend yields will lead to stable returns compounded over decades. Other than Medical Properties Trust, utility stocks such as **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) also make a good fit.

Algonquin has been growing its operations in diversified regulated utilities and renewable power assets. Along the way, it has increased its dividend for a decade and earned its place as a Canadian Dividend Aristocrat. Its five-year dividend-growth rate is about 10%.

Notably, Algonquin pays a U.S. dollar-denominated dividend, but since it's a Canadian company, you will get the full dividend no matter which account you hold the shares in. If you have cash in your RRSP, you might as well buy some Algonquin shares before 2022 for a yield of close to 5%. Nine analysts think the dividend stock is undervalued by close to 19% right now!

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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