



RRSP Investors: 2 Top Stocks to Buy in January and Own for Decades

Description

RRSP investors are looking for top TSX stocks to add to their self-directed retirement portfolio. The overall market looks expensive right now, but investors can still find some great stocks to buy for the long haul.

Canadian National Railway

Canadian National Railway ([TSX:CNR](#)) ([NYSE:CNI](#)) is a major player in the North American rail industry. The company has a unique network of rail lines that connect ports on three coasts. The routes run right across Canada from ocean to ocean and down through the United States to the Gulf Coast.

CN had a busy 2021 that saw the stock price go through some uncharacteristic volatility. That shouldn't be the case in 2022. Last year's failed bid to buy **Kansas City Southern**, a smaller U.S. rail operator with routes in Mexico, upset some large institutional investors and has resulted in the search for a new CEO.

CN remains a very profitable company, and investors should benefit this year, as management focuses on driving more efficiency into the business. A recovery in the global economy should drive demand growth for CN's services in the next few years. At the same time, CN will likely spend less on capital projects.

The result should be strong free cash flow and attractive dividend hikes along with aggressive share buybacks.

CN stocks looks undervalued right now near \$155 per share. It was as high as \$168 in 2021.

Long-term shareholders have done well with the stock. A \$10,000 investment in CN 20 years ago would be worth about \$170,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank with a current [market capitalization](#) of close to \$200 billion. Royal Bank is also one of the top 10 global banks based on this metric.

The company has navigated the pandemic in better shape than might have been expected at the outset of the COVID-19 lockdowns in 2020. Government aid programs helped businesses and homeowners make their mortgage and loan payments and the plunge in interest rates fuelled a buying frenzy in the housing market that led to price gains instead of the steep correction that the CMHC had predicted.

Royal Bank generated strong profits in fiscal 2021 and finished the year with excess capital. The bank announced a dividend increase of 11% and plans to buy back up to 45 million shares. Rising interest rates will help boost net interest margins this year.

Investors could get another double-digit dividend increase in 2022, and it wouldn't be a surprise to see RBC make a strategic acquisition in the next couple of years to drive growth.

The stock has enjoyed a nice rally in recent months but still appears attractive for a buy-and-hold [RRSP](#) portfolio. Long-term investors have done well with RY stock. A \$10,000 investment in Royal Bank 20 years ago would be worth about \$112,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

CN and Royal Bank are industry leaders that have generated strong total returns for RRSP investors for decades. If you have some cash to put to work in your self-directed RRSP portfolio, these stocks deserve to be on your radar.

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3. TSX:CNR (Canadian National Railway Company)
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Date

2025/07/25

Date Created

2022/01/07

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