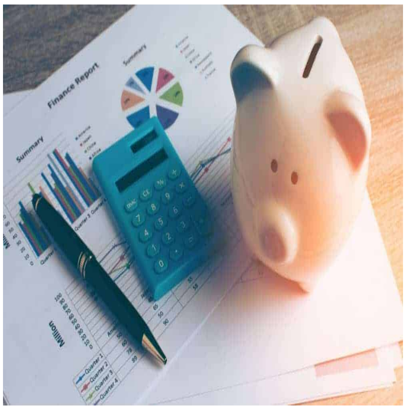

2 Top TSX Stocks to Buy in Your RRSP Now and Own for Decades

Description

Investors with some RRSP cash to put to work are now searching for undervalued stocks to buy that can deliver attractive total returns for their retirement portfolios. Final RRSP contributions for the 2021 income year must be made before the March 1, 2022, deadline.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) trades near $26 per share at the time of writing compared to the 12-month high above $27.50 and is only up about 5% in the past year.

The stock could make up ground in 2022 on the back of a strong finish to 2021 and an improved business environment in key markets, such as Asia, where the pandemic could start to have less of an impact. Manulife raised its dividend by 18% at the end of 2021. The company is also buying back up to 2% of its outstanding stock.

The new quarterly dividend of $0.33 per share provides an annualized yield of 5%, so you get a decent return on the investment, even if the share price doesn't move much higher. It wouldn't be a surprise, however, to see Manulife hit $30 by the end of the year.

Why?

Interest rate increases are expected in Canada and the United States in 2021. Higher rates tend to be positive for insurance companies, as they can get better returns on the cash they have to set aside to cover potential claims. Manulife expects earnings to grow by 10-12% over the medium term.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is soaring on the rebound in oil and natural gas prices. Investors who had the courage to buy CNQ stock near the 2020 lows are already sitting on huge gains, but those who missed out on the 2021 rally should still consider adding the stock to their portfolios.

CNRL generates significant profits at current oil and natural gas prices. The company just announced a large increase to its 2022 capital program that will drive production higher through the year. CNRL used excess cash in 2021 to buy back stock and reduce debt. That trend will continue this year. In addition, CNRL raised the dividend in late 2021 by 25%. Another generous payout hike could be on the way in the first half of 2022 if energy prices maintain their current levels.

The stock still appears cheap. At the time of writing, CNQ stock trades at just 13 times trailing 12-month earnings. Investors who buy here can pick up a 3.6% dividend yield and wait for the next dividend increase.

Analysts are increasingly calling for WTI oil to take a run at US$100 per barrel in the next two years. That's certainly possible given the anticipated rebound in fuel demand and the lack of investment in new output across the energy sector over the past two years.

Even if oil simply stays around US$80 per barrel, CNRL looks cheap today.

The bottom line on top stocks to buy now for RRSP investors

Manulife and CNRL look cheap right now in a broader equity market that appears overbought. The stocks offer attractive dividends that should continue to grow in the coming years, supported by rising revenue and earnings. If you have some cash to put to work in a self-directed RRSP, these names deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:MFC (Manulife Financial Corporation)

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