



RRSP Growth: 2 Top TSX Dividend Stocks to Own for Decades

Description

The market pullback is giving [RRSP](#) investors a chance to buy some of Canada's top dividend-growth stocks at reasonable prices.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is back on track with strong dividend growth after being forced by the bank regulator to halt the program during the pandemic. TD increased the dividend by 13% when it announced fiscal Q4 2021 results. Over the past 20 years, TD has been one of the best dividend-growth stocks on the **TSX Index** with average compound annual dividend increases above 10%.

The company finished fiscal 2021 with a CET1 ratio of more than 15%. This means TD is sitting on a significant pile of cash. The banks are required to have a CET1 ratio of 9%. The war chest was built up over the past two years to ensure TD could ride out the pandemic. Government aid helped avoid the worst-case scenario for the Canadian banks and TD is now in a position to return excess cash to shareholders in the form of higher dividends and share buybacks.

TD might also make a large acquisition in the United States to increase its presence in the American market. TD already operates more branches south of the border than in Canada. The strong U.S. presence gives investors a chance to benefit from the rebound in the American economy through a top Canadian stock.

TD should see net interest margins improve over the next two years, as the Bank of Canada and the U.S. Federal Reserve raise interest rates. On the downside, rising rates will also put pressure on highly leveraged borrowers, so there could be an uptick in defaults or a slowdown in the housing market. Overall, however, higher rates tend to be positive for the banks.

The stock trades near \$101 at the time of writing compared to the recent high of \$104. TD's dividend provides a yield of 3.5% at the current price. It wouldn't be a surprise to see another large dividend increase in the first half of 2022.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) owns renewable energy power generation assets as well as utilities that provide electricity, water, and natural gas distribution services. The stock appears [undervalued](#) right now, trading near \$17.50 per share. The price was above \$22 a year ago.

Algonquin Power is working to close its US\$2.85 billion acquisition of Kentucky Power. The purchase will add more than US\$2 billion of regulated rate base assets, including electricity generation, distribution, and transmission.

Once the deal closes around the middle of 2022 Algonquin Power will see its regulated rate base jump by 32% to about US\$9 billion. Kentucky Power brings roughly 228,000 new customers and will boost the distribution and transmission infrastructure by 37%.

The market appears to be concerned about the size of the deal and how Algonquin Power will ultimately finance the acquisition. Management has a good track record of making successful purchases, and this one should work out to be positive for the company.

Algonquin Power expects adjusted earnings per share to grow by 7-9% per year from 2022 to 2026. The company recently announced a US\$12.4 billion capital program over that timeline.

As a result, investors should see steady dividend growth. Algonquin Power has raised the payout by 10% per year over the past decade.

Investors who buy the stock now can pick up a 5% dividend yield.

The bottom line on top stocks for RRSP investors

TD and Algonquin Power are top dividend-growth stocks that should continue to raise their payouts in the coming years. If you have some cash to put to work in a self-directed RRSP focused on dividends, these stocks deserve to be on your radar.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
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