RRSP Investors: 3 Stocks to Buy and Forget About for a Few Decades

Description

A Registered Retirement Savings Plan (RRSP) can prove to be a remarkable savings vehicle. Income-earning Canadians between 18 and 71 years of age can contribute to their RRSPs up to the maximum amount every year. By doing so, tax breaks are provided in the near term, with tax-sheltered gains stored until withdrawals (typically when most Canadians' earnings drop), providing favourable tax treatment for these investments.

For those looking to build their RRSPs, here are three great stocks to consider.

Top RRSP stocks to buy: Alimentation Couche-Tard

Basically, there are two things that investors look into while identifying stocks that can multiply in value over the long term: a growing ROCE (return on capital employed) and an expansion in said company's amount of capital employed.

In short, this implies that most companies that grow quickly over time have both a highly profitable business model, as well as a management team that continues to reinvest this capital. This is a trait of compounding. In the Canadian market, **Alimentation Couche-Tard** (TSX:ATD) is one of the best stocks to consider on these metrics.

Couche-Tard has both an excellent ROCE as well as a proven ability to reinvest capital to achieve solid rates of return for investors. Accordingly, those looking for both value and growth may want to consider this defensive stock right now.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is another Canadian stock that investors can look to for impressive long-term total returns. That said, TD's focus on paying out much of its cash flow in the form of dividends is something that many RRSP investors may like.

This company is Canada's second-largest bank in terms of market capitalization and has been paying dividends for the past 164 years consecutively. TD Bank hiked dividends at a CAGR of 12% between 2017 and 2021.

This financial institution seems well positioned to play the economic expansion. And that's mainly due to its scale and considerable presence south of the border.

This bank generated solid profits in fiscal 2021. Also, it finished 2021 with a CET1 ratio of better than 15%. This implies that TD is sitting on a war chest of excess capital that it can deploy via share buybacks, new acquisitions, and dividend hikes.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) is another top RRSP candidate for long-term investors looking for total returns. This company's defensive cash flows are supported by a core regulated utilities business. However, Algonquin also carries significant growth potential due to its growing renewables segment.

For long-term investors, having this mix of defensiveness and growth is hard to find. Algonquin's dividend yield of 4.8% (paid out in U.S. dollars) is also attractive, as it provides valuation stability as well as income over time. Like its peers on this list, Algonquin has an excellent track record of hiking distributions over time.

All in all, these three companies are great long-term picks. Those looking to build out their RRSP have three solid options to consider. Each of these companies are high on my list of stocks to buy right now.

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TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ATD (Alimentation Couche-Tard Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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