



RRSP Investors: 2 Cheap Dividend Stocks to Buy and Hold

Description

The Registered Retirement Savings Plan (RRSP) retirement account is the perfect place to invest for retirement. When you deposit your savings in an RRSP, you reduce your taxable income for that year. Additionally, what you earn inside the RRSP is tax deferred. You won't pay a single dime of income tax on your earnings until you withdraw from your account. Most withdrawals occur in retirement when you're in a lower tax bracket, resulting in lower taxes paid overall.

One of the best benefits of the RRSP is that Canadian investors won't get foreign withholding tax on U.S. qualified dividends. This is why I love holding high-yield U.S. dividend stocks in my [RRSP](#). Let's start off with this attractive U.S. dividend stock.

This quality U.S. dividend stock yields 5.3%

Warren Buffett's **Berkshire Hathaway** holds a stake of about 8.9% in **STORE Capital** ([NYSE:STOR](#)). The Oracle of Omaha loves dividends and wonderful businesses. STORE Capital provides generous dividends and is a wonderful business as well. At the end of 2021, the diversified net-lease REIT had 2,866 investment property locations across 49 states in the U.S. and enjoyed a high occupancy of 99.5% and a weighted average lease remaining lease term of approximately 13.4 years. It also benefits from an annual lease escalation of 1.8%.

Here's some professional commentary on STORE Capital:

"Very competent management. He likes them a lot. This space is the most correlated to interest rates... He is comfortable owning this stock."

Andrew Moffs, senior vice president and portfolio manager at Vision Capital

"It is a real estate company that does triple-net leases. He likes it because they can acquire at attractive cap rates. They go through a proprietary network to find these deals. He has a lot of respect for management."

Stephen Groff, principal and portfolio manager, Cambridge Global Asset Management

Canadian investors can receive the full dividend of 5.3% in their RRSPs/RRIFs. Importantly, STORE Capital trades at a discount of about 18% at US\$29 and change per share. Over the next few years, the dividend stock can increase its dividend by about 5% annually. Few Canadian REITs offer a juicy yield and an increasing cash distribution. So, STORE Capital is an excellent addition to any income portfolio.

A cheap Canadian dividend stock

When converting between Canadian dollars and U.S. dollars, you'll probably pay a foreign exchange fee. If you want to save those fees, you might want to stick with Canadian stocks. Here's a cheap Canadian dividend stock you can consider.

Magna International ([TSX:MG](#))([NYSE:MGA](#)) stock finally looks attractive again after correcting more than 20% from its 52-week high. David Burrows had Magna as a top stock pick when the [dividend stock](#) traded at about \$103 per share. He got stopped out of the cyclical stock before it came crashing down. He commented:

"It's a great company in the auto parts and auto assembly space. We got stopped out at \$93 in June. There are supply chain problems in the auto industry and higher oil prices will also put pressure on this sector."

David Burrows, president and chief investment strategist at Barometer Capital Management

Because of its sensitivity to the economic cycle, it's essential to buy Magna stock at a reasonable valuation and to have a long-term investment horizon. At \$77 and change per share, the stock trades at about 11.4 times earnings and offers a decent yield of 2.9%. Analysts think it's undervalued by 33-43%. So, it's not a bad idea to start accumulating shares here.

Notably, Magna stock pays a U.S. dollar-denominated dividend. So, Canadian investors' effective yield would fluctuate with foreign exchange changes between the loonie and the greenback.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:STOR (Store Capital)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Business Insider
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3. Msn
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