



RRSP Wealth: 2 Top Dividend Stocks for Self-Directed Investors

Description

Canadian savers are taking advantage of their [RRSP](#) contribution space to build self-directed pension funds using their [online brokerage](#) accounts. One popular strategy for building retirement wealth involves buying top dividend stocks and using the distributions to acquire new shares.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) recently put to bed any speculation about how it will use the cash hoard it built up during the pandemic. Canada's second-largest bank by [market capitalization](#) is purchasing First Horizon Corp. in a US\$13.4 billion deal that will expand TD's presence in the American retail banking [sector](#). In fact, the addition of First Horizon will bring more than 400 branches to the portfolio and make TD one of the six largest retail banks in the United States with more than US\$600 billion in assets.

TD has agreed to pay US\$25 per share to acquire First Horizon, representing a 37% premium to the closing price before the announcement of the deal. First Horizon has operations in 12 U.S. states primarily located in the U.S. southeast. TD's existing American operations run down the American east coast from Maine to Florida.

TD is also using its excess cash to buy back stock, and the board raised the dividend by 13% last fall after the pandemic ban on bank dividend hikes ended. Investors should see another generous payout increase for 2023.

TD is one of the top dividend-growth stocks in the **TSX Index** over the past two decades with a compound annual dividend-growth rate of better than 10%.

The stock is down from the 2022 high, giving investors a chance to buy TD on a dip. At the current price near \$101.50, TD stock offers a 3.5% dividend yield.

Long-term RRSP investors have enjoyed solid returns from holding TD stock. A \$10,000 investment in the bank's shares 25 years ago would be worth more than \$265,000 today with the dividends reinvested.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is a giant in the Canadian energy sector with a diversified portfolio of oil and natural gas assets. The company is enjoying the benefits of the rebound in oil and gas prices, and while the stock has surged from \$12 in March 2020 to a recent high of \$80, more upside should be on the way.

Canadian Natural Resources recently raised its quarterly dividend by 28% to \$0.75 per share. That's good for an annualized yield of 3.9% at the current share price near \$76. The company is also using extra cash to buy back up to 10% of its outstanding stock over the next 12 months.

The price of WTI oil is expected to remain at or near US\$100 per barrel for some time due to tight global supplies and sanctions against Russia. Natural gas demand is expected to grow in the coming years as utilities transition to natural gas from coal and oil to producer power. Canadian gas will be in high demand in international markets, and CNRL has vast natural gas resources in Western Canada that can easily head to new LNG facilities on the BC coast to ship to international buyers.

Despite the ups and downs of the oil market, CNRL has raised its dividend for 22 consecutive years with a compound annual dividend-growth rate of 22%. That's a great track record that looks set to continue.

The bottom line on top dividend stocks for RRSP investors

TD and CNRL are leaders in their respective industries and have long histories of providing investors with above-average dividend growth. The stocks look attractive right now after their recent pullbacks and should be solid picks for a self-directed RRSP focused on dividends.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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