RRSP Investors: 2 Defensive Dividend Stocks to Own Now

Description

Bond markets are flashing recession warnings just as central banks are preparing to unleash a wave of rate hikes to battle persistent inflation. If businesses reduce investment and consumers end their spending spree, stocks might be in for a rough ride in the near future.

It is impossible to know what will actually happen, but investors should consider the potential for a meaningful correction in 2023 or 2024. With that thought in mind, it might make sense to channel new RRSP money toward defensive dividend stocks.

Emera

Emera (TSX:EMA) is a utility company based in Halifax with $34 billion in assets located in Canada, the United States, and the Caribbean. The operations focus primarily on regulated businesses that include electric and natural gas utilities serving about 2.5 million customers.

Adjusted net income jumped to $723 million in 2021 from $665 million in 2020. Adjusted earnings per share came in at $2.81 compared to $2.68.

Cash flow tends to be reliable and predictable in businesses that provide essential services homes and corporations need regardless of the state of the economy. This is important for investors seeking steady dividend payments and annual distribution growth.

Emera is spending $8.4 billion through 2024 on capital projects that will raise the rate base by 7-8% over the next three years. As a result, the board is providing guidance for dividend growth of 4-5% per year over the medium term.

The stock is moving higher after a dip in the first part of the year. RRSP investors who buy now can pick up a solid 4.3% dividend yield.

Telus

Telus (TSX:T)(NYSE:TU) provides mobile, internet, and TV services to Canadian retail and business customers across the country. The company continues to invest in network upgrades, including the transition from copper to fibre optic connections and the new 5G mobile network.

5G opens up new revenue opportunities for Telus and its peers, and this will help drive cash flow growth in the coming years. In the near term, the return of business and holiday travel should boost lucrative roaming fees in the back half of 2022 and into 2023.

Telus has a great track record of dividend growth. The company raised the payout by 5.2% late last year, despite heavy capital outlays in 2021 on new spectrum and the ongoing copper-replacement program. Management expects the investment cycle to peak in the near term, and that should leave more free cash flow available for distributions in the next few years.

People and businesses need mobile and internet services, and households will cut a lot of other discretionary expenses before they cancel their TV services. As a result, Telus has a revenue stream that tends to be recession resistant, making it a good defensive stock to own in a diversified RRSP portfolio.

At the time of writing, Telus stock provides a 4% dividend yield.

The bottom line on top defensive dividend stocks

Emera and Telus pay attractive dividends that should continue to grow at a steady pace regardless of the economic conditions that might be on the way in the next few years. If you have some cash to put to work in a self-directed RRSP these stocks deserve to be on your radar.

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