



## 3 Dividend Stocks for RRSP Investors

### Description

A popular strategy for building [RRSP](#) wealth involves owning dividend stocks and using the distributions to buy new shares. This sets off a powerful compounding process that can turn small initial investments into large sums for [retirement](#) over time.

### Manulife

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) delivered strong results in 2021, and investors should see the positive momentum continue in the coming years. Net income came in at \$7.1 billion in 2021, up \$1.2 billion compared to 2020.

The wealth and asset management business saw net inflows of \$27.9 billion, supported by record results in the retail wealth business. On the insurance side, annualized premium equivalent sales increased by 13% in the year to \$6.1 billion.

Manulife owns insurance, wealth management, and asset management businesses primarily located in Canada, the United States, and Asia.

The board raised the dividend by 18% for 2022. Manulife also has a new share-buyback plan in place that will see the company repurchase up to 5% of the outstanding stock. Manulife looks [undervalued](#) at the current share price below \$27. Investors who buy now can pick up a solid 4.9% dividend yield.

### Bank of Montreal

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) raised its quarterly dividend by 25% late last year to \$1.33 per share. It is one more increase in a long track record of annual dividend payments that goes back to 1829. In addition, the company announced a share-repurchase plan that will see the bank buy back up to 3.5% of the outstanding common stock.

Bank of Montreal built up significant excess cash during the pandemic and is using most of the funds to

make a large acquisition. The company is buying Bank of the West in the United States for US\$16.3 billion. This deal adds more than 500 branches to the existing American operations and positions Bank of Montreal for growth in California where 70% of Bank of the West's deposits are located.

Bank of Montreal's share price is down from the 2022 high, giving investors a chance to buy the stock at a reasonable 11.3 times trailing 12-month earnings. At the time of writing, the stock provides a 3.6% dividend yield.

A new dividend-reinvestment plan (DRIP) gives shareholders a 2% discount on stock purchased with the distributions. That's a good incentive for RRSP investors who are looking to build a portfolio over several years.

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with \$58 billion in assets located in Canada, the United States, and the Caribbean. The businesses include power generation, electric transmission and natural gas distribution. A full 99% of revenue comes from regulated assets, meaning cash flow is generally predictable and reliable. That's good for investors who want to own a solid, defensive dividend stocks that can ride out periods of turmoil in the economy.

Fortis increased its dividend in each of the past 48 years and intends to raise the payout by 6% annually through at least 2025. The stock currently provides a yield of 3.3%.

## The bottom line on top RRSP stocks

Manulife, Bank of Montreal, and Fortis all pay attractive dividends that should continue to grow in the coming years. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:MFC (Manulife Financial Corporation)
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5. TSX:FTS (Fortis Inc.)
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