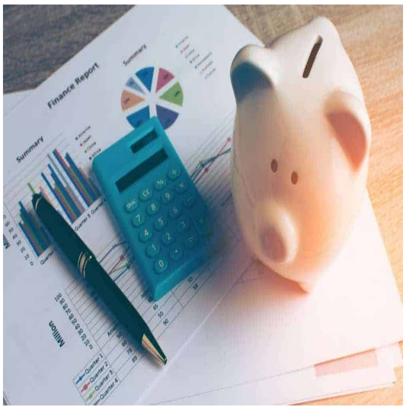

2 Stocks to Start a Self-Directed RRSP Pension

Description

New RRSP investors are searching for top TSX stocks to generate attractive total returns for a self-directed pension.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) has been great investment for buy-and-hold RRSP investors over the past two decades, and that trend should continue for years.

CN operates essential rail lines that connect the Pacific and Atlantic coasts in Canada with the Gulf coast in the United States. The network is unique in the North American rail industry and provides CN with a wide competitive moat.

CN generates strong cash flow to cover the capital investments needed to keep the network up to date and operating efficiently, while also having extra left over to reward shareholders. CN raised its dividend by 19% for 2022 and is buying back up to $5 billion in stock, or about 6.8% of the total outstanding float under the current 12-month share-repurchase program.

Revenue grew 5% in 2021 compared to the previous year. Adjusted operating income increased 7%, and the company generated record free cash flow of $3.3 billion. Adjusted return on invested capital (ROIC) came in at 14.1% — up slightly from the previous year.

CN is targeting free cash flow of $4 billion in 2022 and ROIC of 15%. Under the new capital program, the company plans to invest 17% of revenue in capital projects.

As the economy grows in the United States and Canada, CN should see revenue increase across its various segments. The company transports lumber, coal, crude oil, cars, fertilizer, grain, and finished goods for both domestic and international customers.

Long-term RRSP investors have done well with the stock. A $10,000 investment in CN shares 25 years ago would be worth about $580,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is another sector leader providing services that are essential to the smooth operation of the Canadian and U.S. economies. The energy infrastructure giant transports nearly a third of the oil produced in the two countries and about 20% of the natural gas used in the United States.

Enbridge's other operations include natural gas distribution utilities, gas storage, and renewable power.

Enbridge grows through internal projects and strategic acquisitions. The company spent US$3 billion last year to acquire an oil export facility in Texas. Enbridge is also getting into the new segment of carbon capture and storage. The company has the infrastructure and expertise to build carbon-sequestration hubs, and its client base needs to find ways to meet net-zero targets.

Enbridge raised the dividend in each of the past 27 years. The latest increase was a 3% hike. Management is targeting distributable cash flow growth of 5-7% in the next few years, so the distribution growth should be steady.

At the time of writing, the stock provides a dividend yield of 5.9%.

Investors who purchased $10,000 of Enbridge stock 25 years ago would have more than $300,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

CN and Enbridge are top players in their respective industries and have long track records of providing RRSP investors with attractive total returns. 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

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/23
Date Created
2022/04/23
Author
aswalker