RRSP Investing: 2 Top TSX Dividend Stocks to Own for 25 Years

Description

Canadian RRSP investors can reinvest dividends to harness the power of compounding when building self-directed retirement portfolios.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a solid defensive pick right now for RRSP investors who want to buy a top dividend stock they can simply own for decades without having to worry too much about what is happening in broader world.

BCE and its peers have a good set up in the Canadian market. They generate decent profits on their services and have the power to raise prices when they need extra cash to cover rising costs or help fund network upgrades. This is an important consideration for RRSP investors in an era of high inflation.

Canada is a big country with a relatively small population, so it would be extremely expensive for any new large competitors to try to enter the market, and the payoff would not be worth the headache. This means the existing domestic players with infrastructure already in place will likely remain the core operators.

BCE has the financial clout to make the investments needed to protect its competitive position and drive revenue growth. The 5G network continues to expand, and BCE expects to run fibre optic lines to the premises of another 900,000 customers this year.

BCE reported solid Q1 2022 earnings and is targeting decent profit growth for the year as well as free cash flow growth of 2-10%. The board raised the dividend by 5% for 2022. Another increase of the same size or better is likely on the way in 2023.

At the time of writing, BCE provides a 5.4% dividend yield. Long-term RRSP investors have enjoyed solid total returns. A $10,000 investment in BCE stock 25 years ago would be worth more than $235,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has raised its dividend in each of the past 27 years and steady payout growth should continue.

Enbridge's oil and natural gas pipeline infrastructure is strategically important to the smooth operations of the Canadian and U.S. economies. The company transports 30% of the oil produced in the two countries and 20% of the natural gas used by Americans. Enbridge purchased an oil export platform and related infrastructure for US$3 billion last year to bulk up its assets serving international buyers of North American oil.

Enbridge's natural gas utility businesses provide steady regulated revenue and cash flow. The company is also growing its renewable energy operations that include solar, wind, and geothermal facilities. Looking ahead, carbon capture and storage, along with hydrogen, provide additional growth opportunities.

Enbridge is targeting 5-7% annual growth in distributable cash flow (DCF) over the next few years to support steady dividend hikes. The company is also buying back stocks with excess cash.

At the time of writing, investors can pick up a 6.1% yield on Enbridge stock. A $10,000 RRSP investment in Enbridge 25 years ago would be worth about $280,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

BCE and Enbridge are leaders in their respective industries and pay growing dividends with above-average yields. 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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