



2 Top Stocks for a Self-Directed RRSP

Description

Canadian savers are getting a chance to buy some top TSX stocks at undervalued prices to help build their self-directed RRSP portfolios. Buying stocks when the market corrects takes courage, but the [strategy](#) can deliver attractive long-term total returns for a personal [retirement](#) fund.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is one of those industry leaders that RRSP investors can buy and simply sit on for decades. The company is the largest player in the Canadian communications [sector](#) and provides essential services that retail and commercial subscribers need to use regardless of the state of the economy.

BCE has the financial firepower to make the investments required to keep its wireless and wireline networks updated. The company is investing billions of dollars to run fibre optic lines to the buildings of customers and is expanding its [5G](#) network.

The board has increased the dividend by at least 5% in each of the past 14 years. BCE expects free cash flow to increase by 2-10% in 2022, so there should be another decent dividend hike on the way for 2023.

At the time of writing, the stock trades for \$67 compared to \$74 earlier this year. Investors who buy now can pick up a 5.5% dividend yield. Using the dividends to acquire new shares can have a material impact for RRSP investors over the long run. A \$10,000 investment in BCE stock 25 years ago would be worth about \$230,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) generated \$16.1 billion in profits in fiscal 2021 and is off to a good start in 2022 with fiscal Q1 earnings above \$4 billion. That's pretty good for just three months of operations.

Bank stocks are down in recent weeks, as investors try to figure out if rising interest rates designed to tame inflation will cause a recession and a meltdown in the Canadian housing market.

Canada's inflation rate hit 6.8% in April, marking the highest rate of inflation in more than 30 years. Most Canadians would argue that their monthly expenses have increased by more than 6.8% in the past year. Soaring food and gas prices will force people to divert discretionary spending to cover the basics for survival. When it comes time to renew the mortgage, some property owners are going to get a big shock.

If the pain is too widespread, an economic slowdown could materialize as people simply stop spending on anything other than putting food on the table and keeping a roof over their heads. This could force businesses to reduce investment and cut staff. The result would be a growth headwind for the banks.

That being said, Royal Bank has a diversified revenue stream that remains very profitable, even during challenging economic times. The company maintains a strong capital position it built up to ride out the pandemic and continues to invest to drive revenue growth. Royal Bank recently announced a \$2.6 billion acquisition in the U.K. to boost its wealth management operations.

The stock trades near \$127 per share at the time of writing compared to a high above \$149 earlier this year. Investors who buy at the current price can pick up a solid 3.8% dividend yield. Royal bank raised the dividend by 11% for fiscal 2022.

A \$10,000 investment in Royal Bank 25 years ago would be worth about \$204,000 today with the dividends reinvested.

The bottom line for RRSP investors

BCE and Royal Bank are top TSX dividend stocks with long track records of delivering attractive total returns for investors. 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

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RY (Royal Bank of Canada)

3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

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

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2022/05/23

Author

aswalker

default watermark

default watermark