



Retirement Planning: 2 Top TSX Stocks to Add to a Self-Directed RRSP

Description

Canadian savers are using their self-directed RRSPs to build portfolios of top stocks as part of their overall retirement plan. One popular RRSP [investing strategy](#) involves buying top dividend stocks and using the distributions to acquire new shares.

Canadian National Railway

CN ([TSX:CNR](#))([NYSE:CNI](#)) doesn't go on sale very often, but investors have had a few chances to scoop up the shares at cheap prices over the past couple of years. CN spent a good chunk of 2021 in the doghouse, as investors worried about the potential impact of an expensive attempt to buy **Kansas City Southern**, a smaller U.S. railway with routes running to Mexico. In the end, the deal fell through, and CN actually came out of the process with some extra money. Investors who had the foresight to buy the stock at the 2021 lows are sitting on decent gains.

CN dipped in 2022 as part of the recent pullback in the broader market. The stock fell briefly to \$140 per share after hitting \$170 earlier this year. Bargain hunters have pushed the share price back up to \$149 at the time of writing. This still looks [undervalued](#).

CN has a new CEO this year, and the management team is focused on improving efficiency and returning profits to shareholders. The board raised the dividend by 19% for 2022, and CN is buying back up to \$5 billion in stock.

The dividend only provides a 2% yield, but the stock has delivered great total returns for investors over the years, and that trend should continue. CN enjoys a wide competitive moat and has the ability to pass rising expenses on to customers through higher transport prices.

A \$10,000 RRSP investment in CN stock 25 years ago would be worth almost \$450,000 today with the dividends reinvested.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) paid its first dividend in 1829, and investors have received a chunk of the profits every year since that time. Management continues to pay investors well. The board raised the distribution by 25% late last year and just announced another 4.5% increase.

Bank of Montreal is going to get a lot bigger. The company is in the process of buying **Bank of the West** for US\$16.3 billion. Bank of Montreal already has a large presence in the United States through its BMO Harris Bank operations it has been building through acquisitions since the 1980s. The addition of Bank of the West will bring more than 500 new branches to the portfolio and will give Bank of Montreal a strong presence in the California market.

BMO stock trades near \$138 per share at the time of writing. That's up from a recent low around \$130, but still way down from the 2022 high above \$153 the stock hit earlier this year. Investors who buy now can pick up a solid 4% dividend yield and wait for the growth from the new acquisition to drive the share price higher.

A \$10,000 investment in Bank of Montreal 25 years ago would be worth about \$135,000 today with the dividends reinvested.

The bottom line on top RRSP stocks

CN and Bank of Montreal have great track records of dividend growth that should continue for years. If you have some cash to put to work in a self-directed RRSP focused on total returns, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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aswalker

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