



RRSP Pension: 2 Top TSX Dividend Stocks to Build Wealth

Description

Canadian savers are using their RRSP contributions to build self-directed retirement portfolios. The 2022 pullback in the market is finally giving investors a chance to buy great TSX dividend stocks at [undervalued](#) prices.

Manulife Financial

Manulife ([TSX:MFC](#))([NYSE:MFC](#)) has made great progress in reducing risk since the Great Recession, when the market crash forced the company to slash the dividend.

Despite the turnaround in the business over the past decade, many investors still avoid the stock. Manulife has underperformed peers during the rally off the pandemic rout and looks undervalued today while paying a very attractive dividend.

The board started raising the payout again a few years ago. Management increased the distribution by 12% right before the pandemic, and the board gave investors another 18% increase late last year.

Results for Q1 2022 came in a bit weaker than the same period in 2021 due to the impacts of the Omicron surge at the start of this year. Higher mortality and morbidity claims due to COVID-19 in the United States, along with reduced product sales caused by lockdowns in Asia, drove up expenses and reduced revenue.

These should be temporary issues. Investors can use the recent dip in the stock price to pick up Manulife at a discount and secure a 5.65% dividend yield. Manulife trades near \$23.25 per share at the time of writing compared to \$28 in February.

Management continues to position the business for future growth. Manulife recently completed a deal that reinsures 75% of its legacy variable annuity business in the United States. The move unlocked \$2.4 billion in capital and removes risk from the U.S. business.

Manulife is investing heavily in the digitization of its services, making it easier for clients to efficiently

file claims and purchase products. The Canadian and U.S. businesses remain strong, and Manulife has significant growth potential in Asia, where the company has a presence in many growing markets.

Insurance companies should benefit, as interest rates move higher in the next two years. Higher rates enable Manulife to get better returns on the cash it has to set aside to cover potential claims. The impact of a 2% rate hike is meaningful when you are looking at the return generated on billions of dollars.

The stock appears undervalued today and offers a great dividend with above-average yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a major player in the North American energy infrastructure industry with oil pipelines, natural gas pipelines, natural gas storage, natural gas distribution utilities, and renewable energy assets.

The revival of the oil and gas sector should benefit Enbridge, as the world scrambles to secure reliable Canadian and U.S. oil and liquified natural gas (LNG). Enbridge bought an oil export facility and related assets for US\$3 billion late last year. It recently announced plans to build new pipelines to connect natural gas supplies to U.S. LNG facilities for export.

Getting new major oil and gas pipelines approved and built is nearly impossible these days, so the existing infrastructure that is in place should become more valuable. Enbridge moves 30% of the oil produced in Canada and the United States and 20% of the natural gas used by Americans.

The stock is up nearly 20% this year and trades near its 12-month high, but more upside should be on the way. Investors can still get a 5.8% dividend yield and annual payout increases of 3-5% are reasonable to expect over the medium term.

The bottom line on top RRSP stocks to buy now

Manulife and Enbridge are leaders in their respective industries. The stocks pay great 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 companies deserve to be on your radar.

CATEGORY

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Author

aswalker

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