RRSP Investors: 2 Top Dividend Stocks to Build Retirement Wealth

Description

Canadian savers are using their self-directed RRSP to create wealth funds to complement their CPP, OAS, and company pensions in retirement.

RRSP investments tend be buy-and-hold position where market downturns are viewed as good opportunities to add to the portfolio. One popular RRSP investing strategy involves buying top TSX dividend stocks and using the distributions to acquire new shares.

TD Bank

TD (TSX:TD)(NYSE:TD) gave investors a 13% dividend increase late last year when the government removed the pandemic ban on dividend hikes and share buybacks that went into place for banks and insurance companies during the COVID-19 lockdowns.

TD is one of the best dividend-growth stocks in the **TSX Index** over the past two decades, and that trend should continue in 2023 and beyond.

TD built substantial excess cash during the past two years to ensure it could ride out the worst-case scenario. In the end, loan defaults came in much lower than feared due to government assistance provided to homeowners and businesses.

TD is now starting to deploy the funds. The bank is spending US$13.4 billion to buy **First Horizon**, a U.S. bank with operations located in the southeastern part of the United States. The deal will expand TD's existing American operations that already run down the east coast from Maine to Florida. First Horizon adds more than 400 branches and will make TD a top-six American bank. This is attractive for RRSP investors who want to have meaningful exposure to U.S. economic growth through a top Canadian company.

TD stock appears undervalued right now after the pullback that hit the broader banking sector in the past four months. The shares trade near $91.50 at the time of writing compared to $109 earlier this year. Investors who buy here can pick up a 3.9% yield and wait for future dividend hikes to drive up the return on the initial position.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a good defensive stock to consider right now for investors who are of the opinion that a meaningful economic downturn might be on the horizon. The U.S. Federal Reserve and the Bank of Canada are raising interest rates aggressively to fight high inflation. Economists are warning that this could trigger a recession next year or in 2024.

BCE provides essential wireless and internet services to homes and businesses across Canada. Regardless of the state of the economy, people and companies need to have a mobile phone and an internet connection. The TV side of BCE's business is more at risk, but most people will cut other discretionary spending before they cancel their TV or streaming subscriptions.

BCE isn't immune to an economic downturn. The media business relies on advertisers spending big bucks to reach audiences across BCE's multiple media platforms, including radio, TV, and online. That being said, the communications part of BCE's operations still generates most of the revenue.

BCE is investing the funds needed to keep the networks up to date while protecting its competitive moat. The company is running fibre-optic lines to the premises of its customers. BCE is also spending billions of dollars to build out its 5G network.

Despite the large capital outlays, BCE still generates solid free cash flow to give investors a generous and growing dividend. The payout typically increases about 5% annually. Investors who buy BCE at the current share price can pick up a 5.5% dividend yield.

The bottom line on top RRSP stocks

TD and BCE are top Canadian dividend stocks with great track records of delivering payout growth and 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.

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