



## Self-Directed RRSP: 2 Top TSX Dividend Stocks to Buy Now for Total Returns

### Description

The pullback in the stock market is giving self-directed RRSP investors an opportunity to buy top TSX dividend stocks at [undervalued](#) prices. The combination of distribution growth and capital gains can result in significant long-term total returns for investors who buy great stocks on the dips.

### Canadian National Railway

**CN** ([TSX:CNR](#))([NYSE:CNI](#)) is one of those stocks RRSP investors can buy on a pullback and simply sit on for decades. The company plays an integral role in the smooth operation of the Canadian and American economies through its unique network of tracks that connect ports on three coasts.

CN had a volatile year in 2021 with large, uncharacteristic moves in the share price. The company tried to buy **Kansas City Southern** in the United States in a move that would have added routes that run into Mexico. In the end, the deal fell apart due to regulatory issues and CN came out of the mess with a bit of extra cash. Investors had mixed opinions on the deal and pushback from one activist investor likely led to the exit of the CEO in early 2022.

The upside for current holders of the stock is the return of the share-buyback program and the avoidance of significant debt being added to the balance sheet. CN's new CEO is focused on driving more efficiency into the business and providing investors with attractive returns. The board raised the dividend by 19% for 2022, and CN is repurchasing up to 6.8% of the outstanding stock under the current share-buyback program.

CN is very profitable and generates significant free cash flow. The dividend yield is only about 2%, but investors should focus more on the dividend growth and the total returns. A \$10,000 investment in CN stock 25 years ago would be worth about \$425,000 today with the dividends reinvested.

The shares currently trade near \$144 compared to the 2022 high around \$170.

## Royal Bank

**Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) is a giant in the Canadian banking sector and is one of the 10 largest in the world based on [market capitalization](#).

The company is a profit machine, even in chaotic economic conditions. Royal Bank generates net earnings of \$16.1 billion in fiscal 2021. Fiscal 2022 is off to a strong start with earnings above the 2021 levels for the first two quarters. Return on equity remains high at nearly 18%.

The bank is sitting on a war chest of cash it built up during the past two years. Royal Bank announced a \$2.6 billion deal to buy a wealth management business in the United Kingdom to expand the bank's presence in that market. Additional deals could be on the way, especially after the steep pullback in financial stock valuations in recent months.

Royal Bank is also returning cash to shareholders. The bank increased the dividend by 11% late last year and raised the payout by another 7% when it announced the fiscal Q2 2022 results.

Royal Bank stock looks undervalued at the current multiple of less than 11 times trailing 12-month earnings. Investors who buy now can pick up a 4% dividend yield. A \$10,000 investment in Royal Bank 25 years ago would be worth about \$190,000 today with the dividends reinvested.

## The bottom line on top stocks for total returns

CN and Royal Bank have strong track records of delivering dividend 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 right now.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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