RRSP Investors: 2 Top TSX Dividend-Growth Stocks to Buy Now and Own During a Recession

Description

Analysts and economists are now putting the odds of a recession as high as 50% in the next two years. The ultimate extent of the potential downturn is unknown, but it makes sense for RRSP investors to consider defensive dividend stocks for new buys in this environment.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) raised its dividend in each of the past 48 years and is providing annual dividend-growth guidance of about 6% through 2025. That's the kind of payout reliability investors want to see during challenging economic times. The distribution growth pays you well to ride out any volatility in the share price and gives investors confidence to add to the position when markets overshoot in a broad-based plunge.

Fortis has a $20 billion capital program on the go that will increase the rate base by more than $10 billion through 2026. Management is considering other projects that could get added to the plan to boost the revenue and cash flow growth. Fortis might also take advantage of a downturn in the market to make a strategic acquisition.

Existing assets consist of power generation, electricity transmission, and natural gas distribution businesses located in Canada, the United States, and the Caribbean. Fortis gets 99% of its revenue from regulated assets, so cash flow tends to be reliable and predictable.

At the time of writing, the stock is down to $59.50 from a 2022 high around $65. Investors can pick up a 3.6% yield and wait for the dividend hikes to boost the return on the initial investment.

Telus

Telus (TSX:T)(NYSE:TU) is another good defensive dividend stock to buy for a retirement portfolio. The communications company provides Canadian households and businesses with essential mobile and internet services. Telus has the power to raise prices to offset higher costs. This is important in an environment of high inflation. Telus enjoys a strong balance sheet that enables management to make the investments needed to ensure clients have the high-speed broadband they need while protecting the company's competitive position.

The board plans to raise the dividend by 7-10% per year through at least 2025. Telus should see the investments in fibre optic lines and the 5G mobile network drive revenue growth in the near term. The company is also expanding its position in digital health services through the $2.9 billion acquisition of **LifeWorks**.

Telus typically raises the dividend two times per year. The stock looks undervalued right now near $29 per share. It traded above $34 in April, and little has changed in the outlook for the revenue stream in the past three months.

Investors who buy Telus stock at this level can pick up a solid 4.7% yield.

The bottom line on top dividend stocks to buy for a retirement fund

Fortis and Telus pay attractive dividends that will continue to grow in the next few years, even if the economy goes through a recession. If you have some cash to put to work in a self-directed RRSP, these defensive stocks deserve to be on your radar.

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