



RRSP Investing: 2 Great TSX Dividend Stocks to Own for 20 Years

Description

The market correction is giving [retirement](#) investors a chance to buy top [TSX](#) dividend stocks at [undervalued](#) prices for a self-directed RRSP focused on attractive total returns.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with a current market capitalization near \$57 billion. Size matters in this industry due to the large capital investments required to ensure customers have the broadband capacity they need for work and entertainment.

BCE continues to roll out its fibre-to-the-premises initiative that will directly connect roughly 900,000 homes and businesses with fibre optic lines in 2022. This should drive revenue growth, as BCE can offer more expensive internet plans. The investments also help the company protect its wide competitive moat. In addition, BCE is expanding its [5G](#) network after spending \$2 billion on new 3,500 MHZ spectrum at a government auction last year.

BCE has a strong track record of dividend growth. Investors received a distribution increase of at least 5% annually over the past 14 years. Management expects free cash flow to increase by 2-10% in 2022. This should support another decent payout hike for 2023.

BCE's strong position in the market enables the firm to raise prices when its costs increase. This is important for RRSP investors to consider when evaluating new investments in an era of high inflation.

BCE trades near \$63.50 per share compared to the 2022 high around \$74. The pullback appears overdone, and investors can now get a solid 5.8% dividend yield.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) trades near \$123.50. The stock was above \$149 at one point earlier this year. Buying Royal Bank on meaningful dips has historically proven to be a savvy move for RRSP

investors, and this time shouldn't be any different.

Investors dumped bank shares over the past few months amid rising recession fears. A slowdown in economic activity is on the way, and Royal Bank's own analysts are predicting a short and mild recession in Canada next year.

High inflation is causing households to divert savings to cover rising costs for essentials like food and gas. The Bank of Canada is raising interest rates aggressively in an attempt to cool off the economy and reduce inflation. This will hit property owners and businesses when they need to renew loans and mortgages, and that could lead to a jump in defaults.

Headwinds certainly exist, but the pullback in Royal Bank's share price appears overdone. The bank earned \$16 billion in profits in fiscal 2021 and is on track to beat that mark in 2022. Royal Bank has a strong capital cushion that it's built up over the past two years, so it has the ability to ride out some tough times while still spending on acquisitions, share buybacks, and dividend increases.

The board raised the dividend by 11% late last year and gave investors another 7% dividend hike when Royal Bank reported the fiscal Q2 2022 results. These actions would suggest that management isn't overly concerned about the revenue and profits outlook.

Royal Bank investors can get a decent 4.1% dividend yield right now, so you get paid well to wait for the financial sector to rebound.

The bottom line on top TSX stocks to buy for a self-directed RRSP

BCE and Royal Bank are leaders in their respective industries. The companies pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed RRSP that's focused on total returns, these stocks look cheap and deserve to be on your radar.

CATEGORY

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

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