



RRSP Investors: 2 Cheap TSX Dividend Stocks to Own for Decades

Description

A [market correction](#) is tough to watch, but it gives self-directed Registered Retirement Savings Plan ([RRSP](#)) investors seeking attractive total returns a chance to buy good Canadian dividend stocks at [undervalued](#) prices.

Canadian National Railway

CN ([TSX:CNR](#))([NYSE:CNI](#)) trades near \$152 at the time of writing compared to \$170 near the end of March. Buying CN stock on dips has historically proven to be a profitable move for buy-and-hold investors. In fact, a \$10,000 investment in CN stock 25 years ago would be worth about \$380,000 today with the dividends reinvested.

CN raised the dividend by 19% for 2022, and the compound annually dividend-growth rate since the company went public in the mid-1990s is about 15%. This is relevant for investors seeking total returns. Steady dividend growth increases the yield of the original investment and tends to drive the share price higher over time.

CN reported strong second-quarter (Q2) 2022 earnings that show the company is able to increase its prices when costs rise. In the current era of high inflation, pricing power is important to maintain and grow profits. Adjusted operating income hit a record \$1.78 billion in Q2 2022, up 29% compared to the same period last year.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) trades for \$122 at the time of writing compared to \$149 in January. The steady decline in the share price has occurred, as investors become more concerned about the risks of a recession occurring in 2023 or 2024. An economic downturn is expected. Royal Bank's own team of analysts predict a short and mild recession in Canada next year.

How bad could a recession get?

The Bank of Canada is raising interest rates to cool off the economy and get inflation down from more than 7.5% to the target of about 2%. Some economic pain is likely required to achieve that goal. Businesses and households with high debt levels are already seeing payments increase on variable rate loans. Fixed-rate mortgage payments will go up when it is time to renew. All this puts pressure on cash flow, as people are already spending more on essentials due to soaring prices.

In the event we see a sharp rise in unemployment and a meltdown in the housing market, Royal Bank and its peers will be in for a rough ride. For the moment, however, the jobs market remains robust, and households are using discretionary funds or savings to cover higher expenses.

Additional downside in RY stock is certainly possible, but Royal Bank should be a good buy-and-hold pick for a self-directed RRSP right now. The stock offers a 4.2% dividend yield, and investors should see a nice dividend increase for fiscal 2023. Royal Bank raised the dividend by 11% late last year and increased it by another 7% when the bank reported fiscal Q2 2022 results. The increases suggest the management team isn't overly concerned about the revenue or profits outlook.

Royal Bank is a profit machine. The bank generated \$16.1 billion in net earnings in fiscal 2021 and is on track to top that amount this year. Long-term RRSP investors have done well with the stock. A \$10,000 investment in Royal Bank 25 years ago would be worth more than \$175,000 today with the dividends reinvested.

The bottom line on top stocks to buy for RRSP total returns

CN and Royal Bank are industry leaders with good track records of delivering 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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2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
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