



2 Cheap Stocks to Buy Now for a Self-Directed TFSA or RRSP

Description

The [market pullback](#) is giving Canadian investors a chance to buy top [TSX](#) dividend stocks at discounted prices for self-directed [Tax-Free Savings Account \(TFSA\)](#) or [Registered Retirement Savings Plan \(RRSP\)](#) portfolios.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest financial institution with a current [market capitalization](#) of \$180 billion. The banking giant is also among the top 10 in the world based on this metric.

Royal Bank is a good stock to buy if you want to get exposure to long-term economic growth through a top bank with a great track record of delivering strong returns. Royal Bank raised the dividend by 11% late last year and increased the payout by another 4.5% when the bank reported fiscal second-quarter (Q2) 2022 results. A \$10,000 investment in RY stock 25 years ago would be worth more than \$190,000 today with the dividends reinvested.

Buying Royal Bank stock on dips has historically proven to be a profitable move over the long run. At the time of writing, Royal Bank trades near \$127 per share. That's down from the 2022 high above \$149. The drop in the share price appears overdone, even given the economic headwinds.

Why?

Royal Bank generated \$16.1 billion in profits in 2021 and is on track to top that amount in fiscal 2022. The bank has a strong capital position to navigate difficult times and continues to return cash to investors through share buybacks and higher dividends.

The bank will likely see loan growth, deposit growth, and capital markets activities slow down over the next 12-18 months. Royal Bank's analysts predict Canada will enter a mild and short recession in 2023. Rising interest rates are cooling off the housing market and there is a chance mortgage defaults could rise.

However, higher interest rates also tend to boost net interest margins for the banks. This can help offset some of the negative impacts. According to the Canadian banks, businesses and households are still sitting on excess cash built up during the past two years. This gives borrowers a cushion to ride out the current period of high inflation and rising debt costs.

Near-term volatility is expected, but investors who buy RY stock at the current price can pick up a solid 4% dividend yield and simply wait for the bank sector to rebound.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) trades near \$55.50 at the time of writing compared to \$59.50 in early June. The drop in the share price gives TFSA and RRSP investors a chance to secure a 6.2% dividend yield and look forward to steady dividend growth as distributable cash flow expands in the coming years.

Enbridge plays an important role in ensuring the smooth operation of the Canadian and U.S. economies. The company transports 30% of the oil produced in the two countries. In addition, the natural gas utilities deliver essential fuel to millions of Canadian homes and businesses. South of the border, Enbridge transports 20% of the natural gas used in the country.

Enbridge has a \$13 billion capital program on the go that should support revenue and cash flow growth. Management is shifting investments to new sectors, including hydrogen, carbon sequestration, liquified natural gas (LNG), and oil exports.

Demand for North American energy is rising, as European countries and other oil and gas buyers look for supplies to replace previous reliance on Russia. Enbridge recently announced it will take a 30% stake in the \$5.1 billion Woodfibre LNG project in British Columbia. The company is also expanding natural gas pipelines to feed LNG sites on the U.S. Gulf Coast.

Enbridge has proven to be a good stock to buy for high yield and total returns. A \$10,000 investment in the shares 25 years ago would be worth more than \$225,000 today with the dividends reinvested.

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

Royal Bank and Enbridge are industry leaders that pay attractive dividends and have demonstrated strong track records of delivering solid total returns. If you have some cash to put to work in a TFSA or RRSP today, these stocks look cheap and deserve to be on your radar.

CATEGORY

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2. Investing

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

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