



RRSP Investors: 2 Oversold Canadian Dividend Stocks to Buy Now and Own for 25 Years

Description

The recent plunge in the stock market is giving self-directed [Registered Retirement Savings Plan \(RRSP\)](#) investors a chance to buy top [TSX](#) dividend stocks at cheap prices for portfolios focused on generating attractive total returns. One popular RRSP [investing](#) strategy involves buy good dividend-growth stocks and using the distributions to acquire new shares.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is best known for its Canadian retail banking operations, but Canada's second-largest bank by [market capitalization](#) actually has more branches south of the border, and the American business is going to get a lot bigger.

TD is in the process of buying **First Horizon** for US\$13.4 billion. The deal will add more than 400 branches to the current American business and make TD a top-six bank in the United States. At the same time, TD is buying **Cowen**, an investment bank, for US\$1.3 billion. These deals will help drive revenue and profit growth in the coming years.

TD stock is down to \$87.50 from \$109 earlier in the year. All the Canadian [bank stocks](#) have tumbled in recent months, as high inflation and aggressive central bank rate hikes stoked fears of an impending recession. Analysts and economists are predicting an economic slowdown and that will likely put pressure on bank revenues while potentially driving up loan losses.

The plunge in TD's share price, however, looks overdone. TD remains very profitable and has ample capital to ride out some rough quarters. The bank generated adjusted net income of \$3.81 billion in the fiscal third quarter (Q3) of 2022 compared to \$3.63 billion in the same period last year. For the first nine months of fiscal 2022 the adjusted net income is up 5.35% to \$11.36 billion, so TD is on track to beat its 2021 results.

The board raised the dividend by 13% for fiscal 2022. Investors should see another generous increase

for 2023. TD is one of the best dividend-growth stocks in the TSX with a compound annual dividend-growth rate of roughly 11% over the past 25 years.

Investors received decent total returns over that timeframe. A \$10,000 investment in TD stock 25 years ago would be worth more than \$175,000 today with the dividends reinvested.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) raised its dividend in each of the past 22 years and has delivered a compound annual dividend-growth rate of 22% during that tenure. This is rare in the oil and gas industry, where producers are at the mercy of commodity prices to determine their profitability.

CNRL's success is connected to its diversified portfolio of oil and gas production sites. The company operates oil sands, conventional heavy oil, conventional light oil, offshore oil, and natural gas facilities. CNRL also owns vast untapped land positions in key natural gas and oil basins.

Oil and natural gas prices are at very profitable levels for CNRL right now, and the global energy market is expected to remain strong for some time. Demand is rising while international producers have limited scope for increasing output.

CNRL raised the the base dividend by 28% in 2022. The current quarterly payout of \$0.75 provides a 4% annualized yield. CNRL also paid a special dividend of \$1.50 per share after the strong Q2 2022 results. Net earnings came in at \$3.5 billion in the quarter, up from \$1.55 billion in the same period last year. Additional bonus dividends should be on the way if energy prices stay at elevated prices. CNRL is also using excess cash to reduce debt and buy back stock.

CNQ stock looks cheap at the current price near \$74 and is good to buy if you want to boost oil and natural gas exposure in your RRSP portfolio. A \$10,000 investment in CNRL 25 years ago would be worth about \$220,000 today with the dividends reinvested.

The bottom line on top stocks for RRSP total returns

TD and CNRL are top dividend-growth stocks with attractive yields. If you have some cash to put to work in a self-directed RRSP focused on total returns, these stocks look undervalued today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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Author

aswalker

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