



RRSP Wealth: 2 Undervalued TSX Stocks to Buy Now and Own for 25 Years

Description

The [market correction](#) is ugly to watch, but the drop in the stock market gives Registered Retirement Savings Plan (RRSP) investors a chance to buy top [TSX](#) stocks at [undervalued](#) prices.

Canadian National Railway

CN ([TSX:CNR](#))([NYSE:CNI](#)) trades near \$150 at the time of writing compared to \$170 earlier this year. The stock is caught up in the wave of selling that has hit the market due to rising recession fears caused by high inflation and soaring interest rates.

CN transports crude oil, coal, grain, fertilizer, forestry products, cars, and finished goods. Demand for its services is high these days across the segment spectrum, and that trend is expected to continue, even if the global economy goes through a downturn next year.

CN generated record second-quarter (Q2) 2022 profits on record revenue. In fact, diluted earnings per share jumped 32% over the same period last year. CN is able to pass rising costs for fuel and labour through to its customers. This makes CN stock attractive to buy in an era of high inflation.

CN raised the dividend by 19% in 2022 and is using excess cash to to buy back nearly 7% of the outstanding stock under the current 12-month share-repurchase plan. This helps boost earnings per share and should support a rising stock price over time.

Investors should see another generous dividend increase for 2023. CN raised the payout by a compound annual rate of about 15% since the 1990s when the railway listed as a publicly traded company.

Long-term RRSP investors have done well with CN in their portfolios. A \$10,000 investment in CN stock 25 years ago would be worth about \$380,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest company with a current market capitalization of \$177 billion. The bank is an earnings machine, generating \$16 billion in profits last year and is on track to top that amount in fiscal 2022.

Royal Bank gets its revenue from a number of segments, including retail banking, commercial banking, capital markets, wealth management, insurance, and investor and treasury services. In addition, the bank operates in many countries, providing further diversification.

Acquisitions help drive growth. Royal Bank announced a \$2.6 billion deal in early 2022 to buy a wealth management business in the United Kingdom. Royal Bank also increased its commercial and wealth operation in the United States with the US\$5 billion purchase of City National in 2015. As valuations drop due to the market correction it wouldn't be a surprise to see Royal Bank make another big move south of the border. The bank is sitting on excess capital built up during the pandemic, so it has enough flexibility to do deals while maintaining adequate capital to ride out an economic downturn.

Royal Bank trades near \$123 per share at the time of writing compared to more than \$149 earlier this year. The stock looks oversold and now offers a 4.1% dividend yield.

Long-term investors have enjoyed solid returns. A \$10,000 investment in Royal Bank 25 years ago would be worth about \$175,000 today with the dividends reinvested.

The bottom line on top TSX stocks to buy now

CN and Royal bank are leaders in their industries and have delivered solid long-term total returns. If you have some cash to put to work in a self-directed RRSP, these stocks look cheap and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn

5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/10/01

Date Created

2022/09/27

Author

aswalker

default watermark

default watermark