



RRSP Investors: 2 Oversold TSX Stocks to Buy Now and Hold for Decades

Description

The [market correction](#) is giving self-directed Registered Retirement Savings Plan (RRSP) investors a chance to buy top [TSX](#) stocks at [undervalued](#) prices for portfolios focused on dividends and total returns.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) trades for close to \$85 per share at the time of writing compared to \$109 in early 2022. The bank sector has been on a downward trend for several months due to rising recession fears.

Aggressive interest rate hikes by the Bank of Canada are expected to cool off the hot economy, as the central bank tries to bring inflation down from 7% to its target of 2%. There is a risk that persistent high prices and the rate-hike shock will trigger a much stronger economic downturn than anticipated. Households are already using discretionary income or savings to cover high food and gas expenses. The addition of a steep rise in mortgage payments could be too much for people to handle, especially if businesses start cutting jobs.

For the moment, most economists and analysts expect a recession to be mild and short. The jobs market remains strong, and banks say people and companies have high levels of savings built up over the past two years.

A period of tough economic conditions is expected, but the drop in TD's share price appears overdone. TD remains very profitable and is making strategic investments in the United States to drive future growth.

TD is buying **First Horizon**, a retail bank with more than 400 branches primarily located in the southeastern states, for US\$13.4 billion. The deal complements TD existing branch network that runs from Maine to Florida and will make TD a top-six bank in the American market. TD is also buying **Cowen**, an investment bank, for US\$1.3 billion. That deal will enhance TD's capital markets operations.

Investors who buy TD stock at the current price can pick up a 4.2% dividend yield. The board raised the distribution by 13% for fiscal 2022 and another generous increase is likely on the way for next year.

RRSP investors have done well with TD stock. A \$10,000 investment in TD shares 25 years ago would be worth about 165,000 today with the dividends reinvested.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) has 65-year history of providing midstream services to Canadian oil and natural gas producers. The business has grown over time through acquisitions and development projects, and that trend is expected to continue.

The rebound in the oil and natural gas markets from the 2020 crash should have legs. Prices are off the 2022 highs but remain very profitable for producers. Demand for Canadian energy is rising and that bodes well for Pembina Pipeline in the coming years. The company has pipeline, logistics, gas gathering, gas processing, and propane export assets.

Pembina Pipeline is evaluating new opportunities in carbon capture that could become a new revenue stream. Investment in a new liquified natural gas (LNG) facility is also an option to drive future revenue growth.

Pembina Pipeline pays its dividend monthly. The board just raised the payout, and the distribution now provides a 6% yield. Pembina Pipeline's stock looks cheap at the current price near \$42. The shares traded above \$53 in June.

A \$10,000 investment in Pembina Pipeline 25 years ago would be worth \$145,000 today with the dividends reinvested.

The bottom line on top stocks to buy for total returns

TD and Pembina Pipeline pay attractive dividends and have solid track records of delivering decent total returns. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

CATEGORY

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2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TD (The Toronto-Dominion Bank)

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