2 Canadian Stocks to Buy and Hold Until You Retire

Description

The TSX is full of undervalued stocks after the market correction that has occurred this year. TFSA and RRSP investors can now buy top Canadian dividend stocks at discounted prices for their self-directed retirement portfolios.

Fortis

Fortis (TSX:FTS) is a good stock to own during a recession. The utility company gets 99% of its revenue from $60 billion in regulated assets located in Canada, the United States, and the Caribbean. The businesses include power generation facilities, electricity transmission networks, and natural gas distribution operations. These are essential services that businesses and households need regardless of the state of the economy.

Fortis grows through a combination of strategic acquisitions and internal development projects. The company hasn't done a big deal for several years, but the addition of a mergers and acquisitions specialist to the senior management team last year suggests that Fortis could be on the hunt for a new target as the utility industry consolidates.

In the meantime, Fortis is working through a $20 billion capital program that will boost the rate base by about $10 billion over a five-year period. The resulting growth in revenue and cash flow is expected to support average annual dividend increases of 6% through 2025. Fortis just raised the dividend for the 49th consecutive year.

The stock appears oversold at the current price near $51 per share. Fortis traded around $65 at a 2020 high. Investors who buy now can pick up a solid 4.5% dividend yield and simply wait for the dividend increases to boost the return on the initial investment.

Long-term investors have done well holding Fortis stock. A $10,000 investment in Fortis shares 25 years ago would be worth about $135,000 today with the dividends reinvested.

TD Bank

TD (TSX:TD) is a profit machine. The bank generated adjusted net income of $11.4 billion through the first nine months of fiscal 2022 compared to $10.8 billion in the same period last year. This puts TD on track to handily top the 2021 results, despite the challenging environment in the banking sector.

TD is turning to the United States to drive future revenue and cash flow growth. The bank already has an extensive retail banking presence south of the border after a string of acquisitions over the past 20 years that built a network that runs from Maine right down the east coast to Florida. The purchase of **First Horizon** for US$13.4 billion will add more than 400 branches and make TD a top-six bank in the U.S. market.

TD raised the dividend by 13% for fiscal 2022. The bank has hiked the payout by a compound annual rate of 11% for nearly three decades. The stock currently looks undervalued trading near $85 per share. TD was as high as $109 at one point this year. Investors who buy the stock today can get a decent 4.2% dividend yield.

TD is another great buy-and-hold stock. A $10,000 investment in TD shares 25 years ago would be worth about $160,000 today with the dividends reinvested.

The bottom line on good stocks to buy now

Fortis and TD pay solid dividends that should continue to grow in the coming years. If you have some cash to put to work in a TFSA or RRSP, these stocks look oversold today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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