RRSP Investors: 3 Dividend Stocks to Own for Decades

Description

The market correction is giving Canadian investors a chance to buy top TSX dividend stocks at undervalued prices for self-directed Registered Retirement Savings Plan (RRSP) portfolios.

TD Bank

TD (TSX:TD) trades for close to $86 per share at the time of writing compared to the 12-month high of $109. The steep decline gives investors an opportunity to buy one of Canada's top dividend-growth stocks at an attractive price.

TD generated strong fiscal 2022 earnings that topped the 2021 results. Investors, however, are concerned that economic headwinds in 2023 caused by the sharp rise in interest rates in recent months will result in reduced revenue and higher loan losses.

The Bank of Canada and the United States Federal Reserve are trying to force the economy to cool off in an effort to get inflation under control. Raising interest rates is the preferred strategy to meet this goal. The impacts of the rate hikes tend to be delayed and there is a risk that the aggressive moves will cause a sharper economic decline than anticipated. If a deep and prolonged recession occurs, TD and its peers could be in for a rough ride. Mortgage defaults could soar if unemployment levels jump. Businesses that took on excessive debt during the pandemic might also default on payments.

For the moment, the consensus prediction is for a short and mild recession. Assuming this turns out to be the case, TD stock looks cheap. Investors who buy at the current level can get a solid 4.4% dividend yield.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ) is benefitting from the rebound in oil and natural gas prices after the pandemic crash. The company used the windfall profits in 2021 and 2022 to reduce debt, buy back stock, and boost dividends. The latest dividend increase bumped the quarterly payout to $0.85

per share. Investors also received a $1.50 bonus dividend last year.

CNRL raised the distribution in each of the past 22 years and the compound annual dividend-growth rate over that timeframe is 22%. This is a great track record for a business that relies on commodity prices to determine its profitability.

CNQ stock trades near $73 at the time of writing compared to $88 last June. Investors who buy at the current level can get a 4.6% dividend yield.

BCE

BCE (TSX:BCE) trades for $61 per share at the time of writing compared to the 2022 high around $74. The pullback appears overdone considering the strong 2022 financial results. BCE generated decent earnings in the first nine months of 2022, and the fourth-quarter report should show that the business met its revenue, earnings, and free cash flow growth targets.

Investors received a dividend increase of at least 5% in each of the past 14 years. The 2023 distribution hike will likely be in that range. BCE's revenue stream should hold up well in a recession, and investors can now lock in a 6% dividend yield.

The bottom line on top TSX dividend stocks

TD, CNRL, and BCE all pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed RRSP portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Investing

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

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Date
2025/06/28
Date Created
2023/01/15
Author
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