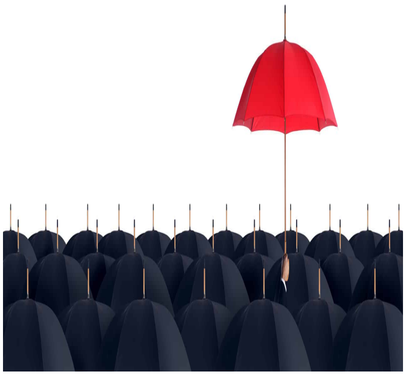

RRSP and TFSA Users: 2 Defensive Stocks to Buy and Never Sell

Description

If you want to maximize your investment returns over a lifetime, you need to be using the RRSP (Registered Retirement Savings Plan) and the TFSA (Tax-Free Savings Account). Managing taxes is a serious part of any wealth-creation plan.

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The RRSP is a tax-deferred registered account. The biggest benefit of an RRSP is that you get a tax deduction on the amount you contribute. However, your tax liability is only deferred until you withdraw funds from the account. If you invest in this account, it is best to think long term and wait to withdraw when you retire or your personal income drops.

However, any Canadian investment income earned in your TFSA is completely tax free. Likewise, there is no tax liability when you withdraw funds from the TFSA.

Use both the TFSA and RRSP to maximize tax efficiency

Now, there are strict rules you need to follow with these accounts, so it is important to consult a tax or wealth advisor. The point is, using both of these CRA (Canada Revenue Agency) registered accounts in tandem is a great way to save on your overall tax bill. Those tax savings can grow into a lot of wealth if they are given years and decades to compound.

If you like the idea of compounding wealth, here are two defensive stocks that would be a good fit in any TFSA or RRSP.

Fortis: A long-term hold for income

Fortis (TSX:FTS) is about as safe as it gets, especially if you are an investor that likes income in their TFSA or RRSP. Fortis has grown its dividend for 49 consecutive years. Chances are very high that it will continue to keep growing its dividend for plenty of years.

Fortis operates regulated transmission/distribution utilities across North America. As demand for energy and electrification continue to rise, so too will demand for electric and gas infrastructure (like Fortis owns and develops). This will be a positive growth tailwind for many years ahead.

Fortis is very prudently managed. Its balance sheet is in a solid position. Most of its debt is fixed and its debt maturity profile is spread out over decades. It is working through a $22.3 billion capital plan that should yield around 6% rate base growth over the coming five years. Dividends are expected to grow by about 4-6% annually over that time.

Fortis is not a growth stock. Investors are likely to annually earn 5% from capital appreciation and an approximate 4% dividend yield that should rise with time. All around, it makes for a low-risk, high-single-digit investment return for your TFSA.

Alimentation Couche-Tard: A defensive compounder for life

Another defensive stock for any RRSP or TFSA is **Alimentation Couche-Tard** (TSX:ATD). Unlike Fortis, it only pays a small 0.9% dividend yield.

Now, it has grown that dividend by 25% compound annual growth rate since 2012. However, it largely spends its excess cash on re-investing into the business and share buybacks when its stock is undervalued.

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Couche-Tard operates 14,000 convenience stores and gas stations around the world. While this is not a flashy growth industry, it provides an essential service where demand for food and gas is consistent.

This TFSA stock has a great track record of investing at high rates of return. In fact, its smart investment strategy has delivered a 660% total return over the past 10 years.

This stock has a highly invested management team, ample opportunities to grow, and a solid balance sheet. What more can you ask from a defensive stock in your TFSA or RRSP?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:FTS (Fortis Inc.)

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