



3 Top Canadian Dividend Stocks for 2014

Description

Imagine...owning your own cash machine. Every month a steady stream of cheques lining your bank account while you slept, mowed the lawn, or watched television.

Of course, this is the everyday reality for dividend investors. And every one will agree that there's no better feeling than watching those dividend cheques roll in.

But with the TSX nearing an all-time high, find top quality dividend paying stocks at a reasonable price is a challenge. So for those that need to put some money to work this New Year, here are three names that offer steady payouts, the potential for big dividend hikes, and maybe even a nice capital gain to boot in 2014.

Earn a 5.7% yield from this retail giant

The American consumer, the sleeping giant of the global economy, is finally waking up from its long slumber.

Last month, the U.S. economy expanded at a 4.1% annual rate – its fastest pace in over two years – thanks mostly to strong household expenditures. November retail spending also bounced a much better than expected 0.5% as shoppers opened their wallets for the holiday season.

For further proof of the resurging retail industry just take a look at the 52- week high list: **General Motors, Wal-Mart, Michael Kors, Toll Brothers**. Yes, the American consumer is back.

So how can Canadian investors participate? **RioCan** (TSX:RIO.UN), the country's largest real estate investment trust, is the best way to play this trend. The firm owns 348 retail properties across North America totaling some 53 million square feet and pays out a juicy 5.9% yield.

What investors should really like about RioCan is just how safe that distribution is. The trust only pays out about 90% of its funds from operations – relatively low compared to other REITs.

Additionally, more than 85% of the company's revenue is generated by national and anchor tenants like **Target, Staples, and Lowe's**. This all means a minimal chance that a default could put a halt to

your steady distribution income.

But this is trust is really a great growth story for 2014. Higher retail spending should be a big boost the company's top-line. And with almost 18% of the company's leases set to expire in 2014, RioCan should be able to renew these contracts at higher rates. Expect a series of distribution hikes in the New Year.

Add some green to your portfolio

Ah, but who will finance these shopping sprees, new cars, and home renovations? Why, Canada's own **Toronto-Dominion Bank** (TSX:TD, NYSE:TD) is happy to help.

During the financial crisis, many American banks retrenched after mortgage losses wreaked havoc on their books. This allowed TD to pick up some significant market share and buy dozens of retail banks on the cheap. Once those customers switched branches to get the credit they needed, it will be awfully hard for rivals to win that business back.

And with the U.S. economy now back in full swing, TD's is well positioned to provide credit cards, mortgages, insurance, and auto loans. The company's American expansion has already propelled it past **Royal Bank** to become Canada's largest lender by assets.

Now with a 3.4% yield, this dividend will hardly blow your socks off. But don't give up on this stock yet. Profits are growing at a hearty 10% annual clip. And given that the company pays out only 50% of its earnings to shareholders, there's ample room for dividend hikes this year.

The only oil sands stock you'll ever need

Turning away from the American theme, oil sands giant **Canadian Natural Resources** (TSX:CNQ, NYSE:CNQ) is also well positioned for 2014.

Last year the stock lagged behind its peers delivering only a 15% gain. This was mostly due to the large discount for Canadian heavy crude. But this gap should start to narrow with the approval of the Keystone XL and Northern Gateway pipelines.

A big dividend hike in October has brought the stock's yield up to a hearty 2.2%. With production expected to grow at a double-digit pace over the next five years and the completion of the Horizon oilsands project, free cash flow is expected to grow fivefold to \$5 billion by 2018. This provides plenty of room for dividend hikes down the road.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/09/11

Date Created

2014/01/02

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