# 3 Dividend Kings Yielding Up to 8.4%

## Description

There is one thing that puts fear into the hearts of dividend investors: the prospect of a distribution cut.

For those of us who rely on those distributions expenses (or just enjoy seeing a steady stream of cheques roll into their brokerage accounts), dividend cuts are real hassles. That's why smart investors put security above yield.



Thankfully, it's easy to find safe sources of income. One of my favourite exchange traded funds, the **iShares S&P/TSX Canadian Dividend Aristocrats Index Fund** (TSX: CDZ), tracks a group of these steady dividend payers. These are companies that have raised their dividend for at least five straight years — even during the Great Recession of 2008 and 2009.

Buying the whole basket is a great idea. But for investors looking for individual names, the fund is a great source of investment ideas. Here are three that stand out in particular.

**AGF Management**

Shareholders of **AGF Management** (TSX: AGF.B) have found that investing in asset management companies directly can be an even more lucrative proposition than investing in the funds that they offer. The reason for that growth is simple: AGF collects management fees based on the amount of assets it manages. It's automatic. Customers are charged huge fees every day they invest in a fund, yet no one sees an actual bill.

This business model has translated into exceptional returns for shareholders. Over the past five years the company has generated an average return on equity of 10%. Since 1997, AGF has grown its distribution at a 16% compounded annual rate. And today, the stock pays out a juicy 8.4% yield.

**Emera**

Why is **Emera** (TSX: EMA) such a wonderful business? Because it's the perfect example of a natural monopoly.

Emera is the east coast's largest public gas and electric utility serving thousands of customers in Nova Scotia, New Brunswick, and Maine. This region is hardly the definition of a large, fast growing market. However, this actually works to Emera's advantage. The cost to build your own electric utility in this area would be enormous and this creates an almost huge obstacle to entry for lurking competitors.

This means that Emera will be able to earn excess returns for investors year after year. Over the past five years, the company has increased its payout 7% annually. And today Emera pays a fat 4.3% dividend yield. So there's no need to wait in order to earn a respectable income.

**TransCanada**

North America is in the midst of an energy revolution. Thanks to new technologies like horizontal fracturing, steam assisted gravity drainage, and horizontal drilling, billions of barrels of previously unexploitable oil and gas are now being pulled out of energy beds across the country. However, it will be companies like **TransCanada** (TSX: TRP)(NYSE: TRP) that actually move all of these new energy sources to market that will make a fortune.

Today at 3.9%, TransCanada is the lowest yielding stock on this list. However, over the past decade the company has increased its dividend at a 7% annual clip. And the company is likely to sustain that growth pace in the years to come through steady cash flow and a backlog of expansion projects.

**Foolish bottom line**



Investors can no longer focus simply on a dividend yield. They must also consider the sustainability of that payout and the company's ability to increase its distribution over time. And the Dividend Aristocrats is a great source of stock ideas that can do just that.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:TRP (Tc Energy)
2. TSX:AGF.B (AGF Management Limited)
3. TSX:CDZ (iShares S&P/TSX Canadian Dividend Aristocrats Index ETF)
4. TSX:EMA (Emera Incorporated)
5. TSX:TRP (TC Energy Corporation)

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