3 Secure Dividend Stocks Yielding Up to 4.1%

Description

For many investors, the biggest obstacle to investing in the stock market is risk.

What if there's another sudden crash? What if we have another financial crisis? What if the company misses earnings estimates?

That's what makes dividend investing so attractive. When you own shares of a wonderful business, you can be almost certain that those distributions will continue to roll in regardless of what happens to the share price. I can speak from experience — finding those dividend cheques in my mailbox every quarter has helped me stomach the market's gut-wrenching volatility.

Of course, when looking for a dividend you can count on through thick and thin, you have to do some digging through the financial statements. Firms have to be able to support their payouts with sustainable cash flow, a conservative balance sheet, and a giant competitive advantage.

Of course, no stock is risk-free. However, the three stocks below offer particularly safe payouts that you can count on to survive through almost anything.

This company hasn't missed a dividend payment in 185 years

This company has done the impossible. Since 1829, **Bank of Montreal** (TSX: BMO)(NYSE: BMO) has managed to mail a dividend cheque to shareholders every year. This is the longest run of consecutive distribution of any stock in Canada.

Think of everything that has happened to our financial system over that time … world wars … the Great Depression … stock market bubbles … financial crises. Yet for this company it has hardly mattered. Bank of Montreal has managed to sail through all of this volatility without ever letting its shareholders down. Today, the stock yields a hearty 4.1%.

How has Bank of Montreal managed to pull this off? Good, old-fashioned Canadian conservatism isone reason. However, extensive government regulations also prevent competition, allowing Bank of Montreal to earn tall returns year after year.

Over 60 years of consecutive distributions

Enbridge (TSX: ENB)(NYSE: ENB) is vital to our daily lives. The company owns 25,400 kilometres of oil and gas pipelines and heats over 2 million homes. Without the commodities Enbridge ships through its network, our lives would be drastically different.

That means Enbridge sees a steady demand for its services. Almost all of the company's business is regulated or fee-based, so energy prices have almost no impact on its cash flow. The company simply earns a fee for every barrel of oil or gas that flows through its network. In total, less than 5% of the firm's earnings are exposed to commodity price, interest rate, and foreign exchange risks.

While this company's dividend track record isn't measured in centuries, this stable business model has allowed the company to pay out a distribution to shareholders for 61 straight years. Thanks to surging energy production in western Canada, Enbridge has managed to triple the size of its payout over the past decade.

The irreplaceable asset every investor should own

Canadian Pacific's (TSX: CP)(NYSE: CP) strength is that it's nearly impossible to replicate. The company's network of track measures 14,700 route miles stretching across the continent. Anyone trying to reproduce its business would have to spend tens of billions of dollars, forming a nearly impossible barrier to entry to the railroad business.

Shipping freight by rail is also less expensive than trucking over long distances. It is four times more fuel efficient per ton-mile. Today's trains can move a ton of freight almost 500 miles on a single gallon of diesel.

Of course, the true test of a business' quality is how well it fares during recessions or times of uncertainty. That said, Canadian Pacific managed to raise its dividend during the height of the financial crisis in 2008. Given that the company pays out less than 30% of earnings in dividends, its distribution has plenty of cushion to weather the economy's inevitable ups and downs.

When evaluating the safety of a stock's payout I find it helpful to ask myself this: Do I see this business existing 50 or 100 years from now? I don't know what the internet will be like a century from now. But I'm pretty confident that Canadians will still need to heat their homes and ship goods across the country.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CP (Canadian Pacific Railway)

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