



The Easiest Way for Investors to Supercharge Their Dividends

Description

If you look at the finest companies on the planet, they typically have a few things in common. They have top-notch management teams that consistently make smart decisions. They have sustainable competitive advantages, making it difficult for another company to show up and take significant market share. They also have exemplary records of making prudent investments with shareholders' money, as evidenced by their return on equity numbers.

And one more thing: Just about all of them pay dividends.

Dividends make up a big part of investor returns. If two stocks each gain 6% a year, but one pays a 3% dividend while the other pays nothing, investors in the dividend-payer will end up crushing investors who don't collect that dividend. If the first investor were to reinvest their dividends into more shares, they'd *really* end up crushing the alternative investment.

For most investors, reinvesting dividends is a no-brainer. Unless you're looking to create an income stream for retirement, it's a good idea to reinvest dividends. Not only does it help supercharge returns — especially if you hold the stock for decades — but it also ensures investors don't have any excess cash just sitting around and not working for them.

There's one additional benefit to reinvesting dividends. Many of Canada's top companies give investors a discount to take their dividends in the form of more shares. Discounts range from 1% all the way up to 5%, depending on the company. If investors can find a company that pays a 4% dividend and gives them a 5% discount for taking their dividend in the form of shares, that automatically ups the yield to 4.2%.

A gain of 0.2% doesn't seem like much, but it actually makes a difference if you look at the long term. If an investor put \$10,000 in a company and held for 30 years while making 10% a year, they'd end up with \$174,000, give or take a few bucks. If another investor did the exact same thing but captured the extra 0.2% over 30 years, they'd end up with a little more than \$184,000.

That's a really easy way to make \$10,000.

Investors have plenty of choices when it comes to getting sweet dividend reinvestment plan, or DRIP, deals. Here are three companies that offer investors attractive DRIP plans.

Many investors are attracted to **Crescent Point Energy** (TSX: CPG)(NYSE: CPG) because of its exposure to light oil and its ability to continue making acquisitions to grow its production. The company has some of the best-producing fields in southern Saskatchewan and central Alberta.

It also has a dividend yield of nearly 6%, assuming investors take it in cash. If investors use a DRIP to reinvest their dividends, the company's yield pops to 6.3%, thanks to the 5% bonus offered by the company. This makes a generous dividend extra attractive.

Another energy name that doesn't get nearly the attention it deserves is **InterPipeline** (TSX: IPL). The company is a leader in Alberta, where it transports oil via pipeline from around the province to refineries. It has a particular focus on the oil sands, and is currently expanding its capacity in the region.

Because the stock has done so well, shares yield 3.9%, well below its historical average. However, if investors choose to use a DRIP to reinvest dividends, that yield rises over the 4% mark, thanks to a 5% bonus.

One of the most generous yields in the sector is from **Cominar REIT** (TSX: CUF.UN), which currently yields 7.7%. The Quebec-based REIT is truly diversified, owning everything from office space to retail locations to industrial buildings. It has also been working on diversifying away from its home province, with acquisitions in Atlantic Canada, Toronto, and Alberta.

Investors also get a 5% bonus if they take their dividend in the form of more shares. This boosts an already generous yield up over 8%, which is almost unheard of in today's market. There's no minimum amount needed to participate, meaning even small investors can enjoy a nice yield boost.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

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