3 Great Dividend-Yielding Industries to Build Your Portfolio Around

Description

As the old saying goes, a diversified portfolio is a healthy portfolio. Balancing your stock picks may not always be the quickest way to make a buck over the short term, but looking over the coming years and decades, it can be the thing that makes or breaks your bank account and retirement.

Being burned as a teenager by an RESP that was overwhelmingly invested in the energy sector opened my eyes to how a portfolio *shouldn't* be built. That portfolio may have seemed like a good idea to someone with a fancy suit in Toronto — until the day Enron collapsed and wiped out two-thirds of my holdings.

So how should investors structure their portfolios to protect themselves from a similar situation? By focusing on several well-performing associated companies at once. Let's take a look at three of the best growth industries and my top pick in each one.

1. Manufacturing

Manufacturing is far from dead in North America, with several Canadian companies still producing top-quality products here at home. One great pick is auto parts manufacturer **Magna International** (TSX: MG)(NYSE: MGA). Its dividend yield is a little smaller than some of the other companies on this list but is still respectable at 1.3%, with an annual payout of $1.64. While the big U.S. automakers may appear to be more pauper than prince, the expansion of the Chinese auto industry offers exceptional growth for Magna. Internal projections over at Magna expect Chinese revenue to double to $2.3 billion by 2016 — more than enough to mitigate any sales reductions in North America.

Magna closed on Tuesday at $118.95, just shy of the 52-week high of $119.70 it reached on Monday. The most recent price target for Magna comes from TD Securities, which just raised its price target from $115.00 to $125.00 on Monday.

2. Transportation

Manufacturing is useless without the means to deliver the goods, and while trucking makes up just over half of cross-border shipping, you can't deny the power of Canada's rail industry. The top company at the moment is **Canadian National Railway** (TSX: CNR)(NYSE: CNI). It has had some safety issues in the past year, which led to $2.1 billion of proposed safety upgrades in 2014. This, coupled with the government-mandated grain shipment quotas, shouldn't deter investors, though, as all of these issues pale in comparison the exponential growth of oil by rail.

Every day that the Keystone XL and other pipelines are stuck in political limbo is another day that Canadian National Railway will benefit. It shipped 75,000 oil tanker cars in 2013, and this number is expected to jump to 200,000 car loads by 2015. This is more than enough oil to grease up the $1.00 annual dividend with a yield of 1.4%.

3. Insurance

Two things in life are guaranteed, death and taxes, and since you can't purchase stocks in the government of Canada, that leaves the insurance companies. While life insurance is now only a part of the vast array of "I hope I never need this" services offered, some companies deserve our attention more than others. The insurance sector's top pick among many analysts is **Sun Life Financial** (TSX; SLF)(NYSE: SLF), which offers a dividend that is richer than several of its competitors, cashing in at $1.44 with a yield of 3.5%.

While Sun Life may have taken a negative dip in the previous quarter, it did post a new record of $671 billion of assets under management. With interest rates low, insurance companies have taken a hit, giving investors a window to begin picking up shares at a relative discount.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:MGA (Magna International Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:MG (Magna International Inc.)
5. TSX:SLF (Sun Life Financial Inc.)

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