



3 Dividends With a 3.5% Yield You Can Actually Count On

Description

In the endless search for good dividend-paying stocks, you will find plenty of Canadian companies offering big yields. But these companies are a big gamble. They often pay out more in dividends than they can afford, and when the business environment turns against them, shareholders may have to face a dividend cut. If and when that happens, the stock price usually plunges.

The fact is, dividends are hard to come by, and if we want a payout we can actually rely on, we have to accept a lower yield. On that note, below are three companies more suitable for dividend investors.

1. TransCanada

There are few industries in Canada more reliable than pipelines. The companies operate critical infrastructure, sign long-term contracts, and are facing plenty of growing demand from Canada's energy sector. So earnings tend to be very steady and predictable, ideal for paying a strong dividend. A perfect example is **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)), Canada's second largest pipeline operator.

The pipelines tend to pay out roughly 70% of their earnings to shareholders, so there's little danger of a company like TransCanada being stretched. And with a yield of 3.5%, shareholders don't have to pay too much for such stable dividend income.

2. Thomson Reuters

The headlines have not been kind to information services provider **Thomson Reuters** ([TSX: TRI](#))([NYSE: TRI](#)) in recent years. For example, the botched release of Eikon, its new financial product, has allowed rivals like Bloomberg to steal market share.

But Thomson still makes revenue based on subscription services (which makes earnings more predictable), most of which are still healthy and growing. Its Legal division, which is actually larger than the Financial & Risk division despite getting less attention is particularly solid.

Thomson's dividend currently yields a healthy 3.6%, which is not as much as some high-yielding

energy producers, but is far more reliable.

3. Telus

Speaking of subscription services, this is of course how Canada's big three telecommunications providers make their money. And of the three, **Telus** ([TSX: T](#))([NYSE: TU](#)) has been having the most success as of late. More specifically, the company has been adding far more wireless subscribers than its rivals, and has done a better job holding onto them too.

Telus's dividend yields 3.9%, again not a number that jumps off the page. But this is a dividend that has increased more than five-fold over the past decade. And given Telus's performance and stability, further dividend hikes look very likely. Again, you're better off with this payout than a bigger one from a less-reliable company.

CATEGORY

1. Investing

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Date

2025/07/25

Date Created

2014/07/18

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