Forget Bonds; Buy These 3 Dividend Stocks Instead

Description

"Right now bonds should come with a warning label."
— Warren Buffett

Bonds have always been a bad investment. As **Berkshire Hathaway** Chief Executive Warren Buffett noted in a recent letter to shareholders, the continuous rolling of U.S. Treasury bills generated almost no real returns after inflation and taxes between 1967 and 2012. Given today's ultra-low interest rates, bond investors are unlikely to match even that awful performance in the years ahead.

So where is Buffett putting his money? Over the long haul, he argues that wonderful businesses will outperform. Since businesses can increase prices, companies can raise their dividends to match or exceed inflation. Lower taxes and earnings growth are more points in favour of equities. With this theme in mind, here are three top dividend names.

This oil stock is gushing dividends

Cenovus (TSX: CVE)(NYSE: CVE) has everything that you want in a great dividend stock: a high yield, growth potential, and shareholder-friendly management.

Boosted by higher energy prices and rising oil production, Cenovus has increased its payout three times since going public in 2009. Today, the oil sands giant yields 3.2%, almost twice as high as the average payout in the Canadian energy patch.

Investors can count on more increases to come. Thanks to expansion at the company's Foster Creek and Christina Lake projects, oil production is expected to grow 10% annually over the next decade. That should provide plenty of cash flow to fund dividend hikes, share buybacks, and acquisitions.

The best dividend stock you've never head of

This company is essential to powering our modern society, through I doubt you know it even exists.

Inter Pipeline (TSX: IPL) owns pipelines, terminals, and storage facilities throughout western Canada and Europe. This infrastructure company ships and stores gasoline, crude oil, natural gas, and other commodities. Most importantly, Inter Pipeline has a natural monopoly on these assets, which ensures that the company earns excess returns year after year.

In return for moving and shipping these energy products, the company earns a fee, which it passes onto shareholders. Since going public in 1997, the company has increased its payout 13 times. Today the stock yields 3.9%, and shareholders can expect more distribution hikes in the years to come.

Earn a 5.1% yield from this retail landlord

This company gives you the all of the perks of being a landlord without any of the headaches.

RioCan REIT (TSX: REI.UN) owns hundreds of retail properties across Canada and the United States. The company rents out its properties to a variety of credit-worthy tenants like **Walmart**, **Canadian Tire**, and Shoppers Drug Mart.

However, what we're most interested in is the company's steady distribution. Since it started paying unitholders in 1994, RioCan has never cut its payout. Today, the trust delivers a dividend of $0.12 per share each month, which comes out to a 5.1% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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