

These 3 Dividend All-Stars Deserve a Spot in Your Portfolio

Description

In today's world of meager interest rates, seemingly non-existent job security, and soon-to-be-retiring baby boomers, dividends have become a very important part of an investor's portfolio.

Besides, investors have finally begun to realize what some of us have known for years — that dividends make up a very large percentage of total return. If you reinvest those dividends during your accumulation years, you can really supercharge your returns.

The stock market is filled with thousands of dividend-paying companies. Some are mature enterprises, not likely to grow distributions much going forward. Others are just in the infancy of paying investors, often with anemic current yields but great potential to grow. Most investors would be well served to be somewhere in the middle of the spectrum, investing in fine companies with not only a history of increasing dividends, but also the potential to keep growing.

Here are three quality names that meet these criteria, and should be in your portfolio.

1. Telus

I once heard a fellow investor refer to **Telus** ([TSX: T](#))([NYSE: TU](#)) as “the finest company in Canada.” I'm not sure I'd go that far, but it's easy to see why so many investors like the name.

The biggest risk to any of Canada's telecoms is a fourth national wireless carrier emerging, likely from coming in from abroad. The risk of this happening seems to diminish by the day, since Canada's market is ultra-competitive and requires a massive upfront investment to get started.

This leaves a clear path for Telus to continue taking away market share from its rivals. The company added nearly 50,000 new wireless subscribers in its most recent quarter, along with 27,000 TV subscribers and 21,000 high-speed internet subscribers. These are great numbers for a company in a mature industry.

Telus has also committed to raising its dividend twice a year until 2016, with generous share buybacks along the way. The stock currently yields 4%.

2. Royal Bank of Canada

Unlike the rest of the world, Canada's banks largely escaped the financial crisis unscathed. This further added to their reputations of being rock-solid operators and prudent stewards of capital. Perhaps the best of the entire group is **Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)).

Royal Bank has a strong retail base in Canada, and is currently the largest mortgage lender in the country. It also has a strong presence in the United States, both in retail and investment banking. The company's insurance and wealth management businesses continue to grow at a steady pace, and the company's return on equity is commonly near 20%, an outstanding number.

Royal Bank's investors get a 3.6% dividend yield, and should be able to count on dividend increases on an annual basis for years to come.

3. PotashCorp

As the world's population swells, the need to feed all these people will start to put a strain on farmers. This should drive up the price of crops around the world, much to the benefit of Canadian farmers and their suppliers, like miner **PotashCorp** (TSX: POT)(NYSE: POT).

Potash is one of the main ingredients in fertilizer, one of a farmer's largest input costs. If commodity prices or crop yields are weak, a farmer may decide to skimp out and buy a little less fertilizer. Fortunately for the company, the long-term outlook on both farmer demand and potash prices looks solid, which should lead to years of steady profits.

The company has hiked its dividend substantially, going from a quarterly dividend of just \$0.03 per share in early 2011 to \$0.37 today, good for a 3.8% current yield. Investors can't expect that type of increase going forward, but they should be able to expect raises in the 5%-7% range.

CATEGORY

1. Investing

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2. NYSE:TU (TELUS)
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