3 Dividend Stocks to Buy Instead of Rental Property

Description

If you're looking to generate some income from your savings, you've probably considered rental property. But there are numerous roadblocks. Agent commissions, finding good tenants, paying various taxes and fees, and a lack of diversification all take their toll.

It's no wonder that so many investors are turning to dividend stocks instead. The cost of buying them is much lower, they give you more flexibility, and allow you to be more diversified.

As a bonus, some stocks have dividends much safer than rental income. Three are shown below.

1. The Bank of Montreal

If you're looking for dividend stocks, Canada's big five banks are a great place to start. These companies face relatively limited competition, and high barriers to entry ensure this will not change. As a result, profitability is very healthy in the industry. Better yet, the big five are much better capitalized than their international counterparts.

The Bank of Montreal (TSX: BMO)(NYSE: BMO) is a great example. The bank is one of Canada's oldest companies, and hasn't missed a dividend payment since 1829. So BMO's dividend is older than Canada itself.

Bank of Montral has a dividend yield close to 4%, and this return doesn't come with any real estate commission or property tax.

2. Fortis Inc

Compared to Bank of Montreal, distribution utility **Fortis Inc** (TSX: FTS) has a limited history. But by practically any other standard, the company's 40+ years of consecutive dividend increases is very impressive.

Fortis and its management team deserve much credit for this Cal Ripken-like streak. But the company also benefits from very consistent demand; even if there's a war, recession, or financial crisis, we all still need to keep the lights on.

Like BMO, Fortis offers a dividend yield close to 4%, and this dividend is set to keep on growing.

3. TransCanada Corporation

Last but not least, pipeline operator **TransCanada Corporation** (TSX: TRP)(NYSE: TRP) has a very reliable dividend. In fact since 2000, the dividend has gone up by 140%, and has increased every year. Like Fortis, TransCanada operates critical infrastructure, and contracts are long term in nature. So revenue is very reliable, which is perfect for paying out a sustainable dividend.

Right now, much attention is placed on the company's Keystone XL pipeline, which is being held up by the U.S. State Department. But one must remember that Keystone accounts for only about a sixth of TransCanada's $36 billion of commercially secured projects.

Like the other two companies, TransCanada has a dividend of nearly 4%. And if the Canadian real estate market suffers a correction, an investment in this company is not put at risk. So why even consider rental property at all?

CATEGORY

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TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)
5. TSX:TRP (TC Energy Corporation)

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