3 Dividend Growth Stocks Yielding Up to 8.4%

Description

Today, I want to show you an easy-to-use formula to quickly build a portfolio of dividend stocks. And not just any dividend stocks, but dividend *growth* stocks.

The method is called the ‘5 + 5’ portfolio. It was developed by Daniel Peris, author of one of my favourite books, *The Strategic Dividend Investor: Why Slow and Steady Wins the Race*. It works like this:

- Screen for stocks that have a dividend yield of at least 5%
- Include only wonderful businesses that can grow their payout by at least 5% per year

Both of these parts are important. Of course, the tall yield generates the immediate stream of income that investors crave. However, distribution growth is also essential to offset inflation and generate capital gains.

Together, the combination of yield and growth should produce a 10% total return, before fees and taxes. So to get you started with this strategy, here are three dividend stocks that meet our criteria.

1. BCE Inc.

BCE Inc. (TSX: BCE)(NYSE: BCE) has the most important quality I look for in a dividend stock: a wide competitive moat.

The company has a huge advantage in the Canadian telecom business, investing billions of dollars in spectrum and its network. This is an asset that is nearly impossible for a new competitor to replicate. Combined with **Rogers Communications Inc.** and **Telus Corporation**, an oligopoly in the Canadian wireless industry means high profit margins and little competition.

This has resulted in a dependable payout for shareholders. BCE has managed to pay a dividend to its loyal investors every year since 1881. And without much in the way of competition, BCE will likely be able to pass on higher prices to customers (and higher dividends to shareholders) for decades to come.

2. Dream Global REIT

This fund allows you to become an international real estate investor without renewing your passport. **Dream Global REIT** (TSX: DRG.UN) is Canada's first and largest real estate investment trust exclusively focused outside of the country. Through a series of smart acquisitions over the past few years, the trust has assembled an excellent portfolio of office properties throughout major cities in Germany.

It's not hard to see the Dream Global investment case given that the trust yields 8.8%. And thanks to a strong German economy, the fund is poised to deliver solid cash flow growth over the next few years. Most of that upside is likely to be passed on to unitholders through distribution hikes.

3. RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust (TSX: REI.UN) is the country's largest landlord with over 79 million square feet of real estate throughout Canada and the United States.

However, this firm isn't your traditional landlord. RioCan specializes in commercial and retail tenants. These are rock-solid companies like **Wal-Mart Stores, Inc.**, **Canadian Tire Corporation Limited**, and **Shoppers Drug Mart Corporation** that aren't going out of business any time soon.

Best of all, RioCan passes on most of this rental income to its investors. Today, the trust pays a monthly distribution of 11.75 cents per unit, which comes out to an annualized yield of 5.2%.

Given that many of the fund's leases are likely to be renewed at higher rates over the next few years, shareholders can expect that payout to grow substantially.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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