

2 Dividend-Paying Stocks to Diversify Your Portfolio: Fortis Inc., Sun Life Financial Inc.

Description

There are several ways to end the phrase “When in doubt,” but for beginner investors, I reckon ending that phrase with “play it safe.” After all, no one would want to invest a portion of their wealth without knowing exactly what one is doing. “Beginner’s luck” has its limitations.

Here are two companies that I think have proved to be safe plays and rewarding:

1. Fortis Inc.

I think **Fortis Inc.** ([TSX:FTS](#)) is not only one of the most reliable companies in Canada, but it also operates in one of the most stable industries: the utilities sector. And, well, let’s face it: We all *need* electricity no matter what condition the economy or stock market is in.

Fortis is great from an investor point of view (long term, buy and hold) as opposed to a trader point of view (short term, buy low and sell high). Over the past five years, the company has increased its dividend by a healthy 4% annually. However, there was a slight blip in earnings due to its acquisitions. The Fortis model is such that as soon as the company announces an acquisition, it raises equity. And when it makes deals in the U.S. (its second so far), it tends to take forever to close. Its December 2013 announcement to acquire **UNS Energy Corp.** in Arizona for \$4.3 billion is set to close soon — after about a year! Thus, all this equity has been sitting idly on its books catching dust for almost a year. And thus, earnings get dented. However, once the deal is done, this will result in an addition of 657,000 electricity and gas customers for Fortis. And you know what that means — fatter revenue and a bigger bottom line.

Additionally, the company has also finished its expansion of the Waneta dam in British Columbia. So it can be safe to say that 2015 will see a pretty strong earnings growth for the company, which will lead to a faster dividend growth rate.

2. Sun Life Financial Inc.

The Canadian domestic insurance business is finally starting to grow again. And in my opinion, **Sun Life Financial Inc.** ([TSX: SLF](#))([NYSE: SLF](#)) is one of the best in the business. After all, it was voted “Most Trusted Brand in Life Insurance” in Canada in 2013 by a Reader’s Digest Trusted Brand consumer survey. And if consumers trust the company, it’s a no-brainer that it will perform well given the industry it is in.

The company yields 3.5% and some analysts and portfolio managers expect Sun Life to increase its dividend in 2015. Additionally, it has strong international growth opportunities, particularly in the Indian market. Its wealth management business, **MFS Investment Management**, continues to grow, too, with total assets under management hitting a record high at \$671 billion as of March 31, 2014.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:SLF (Sun Life Financial Inc.)

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