3 Dividend Stocks You Should Buy Instead of Real Estate

Description

If you're looking to generate some income from your savings, there are plenty of obstacles standing in your way. For example, interest rates on bonds are incredibly low — a 10-year government bond yields roughly 2% per year.

Rental properties have their own challenges, whether it be maintenance, finding tenants, or paying agent commissions. Worst of all, Canadian real estate is likely overvalued anyways. So what are you to do?

The answer is quite simple: Find quality companies with growing dividends. These companies are not that easy to find in Canada, but are out there if you look hard enough. Below are three examples.

1. Fortis Inc.

There are few companies in Canada safer than **Fortis Inc.** (TSX: FTS), the country's largest investor-owned utility. The company sells a product — electricity — that we all need, in both good times and bad. That helps keep earnings smooth for Fortis, ideal for paying a nice dividend.

Fortis has also been very well managed over the years, and as a result has managed to raise its dividend every year for over four decades. So even during the financial crisis, when stock markets and real estate prices were crashing, Fortis was raising its payout.

Today, the company's dividend yields a respectable 3.5%, not bad for such a strong company. And it doesn't come with any of real estate's headaches.

2. Toronto-Dominion Bank

Usually you won't find a bank on a list of reliable dividend stocks. But **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD) definitely fits the bill. The bank is arguably Canada's safest financial institution, for a number of reasons.

First of all, it places a special emphasis on retail banking, which tends to be lower risk than other activities like investment banking. Secondly, TD has a risk-management focused culture, which helped the bank escape relatively unscathed from the financial crisis. Finally, TD has a tremendous record of consistent dividend growth – since 1970, the dividend has been raised 61 times and has not once been cut.

Today, TD's dividend yields 3.5%, about the same as Fortis's. Again, this is a very good deal for such a great company.

3. BCE Inc.

Any conversation about reliable dividend stocks in Canada has to include the big 3 telecommunications providers. These companies operate in a very cozy industry, one with relatively limited competition and high barriers to entry. Subscription-based revenue also makes earnings easy to predict, perfect for paying a big dividend.

And the highest yielding of the Big 3 is **BCE Inc.** (TSX: BCE)(NYSE: BCE), whose dividend currently yields 5.0%. Better yet, this dividend has also been growing in recent years, having grown more than 50% over the past five years.

There are other dividend stocks you should consider for your portfolio, and three are featured in the free report below.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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