3 Dividend Growth Stocks That Pay 4% and Won't Keep You Up at Night

Description

At first glance, Canadian dividend investors appear to have a lot of options when it comes to choosing stocks with payouts greater than 4%. Unfortunately, most of the companies are volatile oil and gas producers, and investors have watched their shares get pummeled in recent months.

At the same time, most blue-chip stocks have enjoyed a flight-to-safety surge and are now trading at the higher end of their historical multiples, leaving investors with a basket of expensive stocks paying less than 4%.

Is it possible to still find good yield at a reasonable price without extreme volatility?

I think so.

Here are the reasons why I think dividend growth investors should consider **Potash Corp./Saskatchewan Inc.** (TSX: POT)(NYSE: POT), **BCE Inc.** (TSX: BCE)(NYSE: BCE), and **Emera Inc.** (TSX: EMA) right now.

Potash Corp.

Global wholesale prices for potash dropped by 25% last year after Russian producer Uralkali ended a marketing arrangement with Belaruskali. The resulting increase in supply sent prices from $400 per tonne down to nearly $300 per tonne. Potash Corp.'s shares initially took a hit but have steadily climbed back and currently trade just below the levels they were at before the drop.

You might think Potash is too volatile to be included in this article, but the dividend growth is extremely attractive, and Potash is at a point where it is going to start producing significant free cash flow.

Potash prices are heading higher, and global demand is at record levels. At the same time, Potash Corp is nearing the end of a multi-year expansion project. The combination means higher production sold at higher prices, with reduced capital expenses.

Potash pays a dividend of US$1.40 that yields about 4.1%. Investors should see continued dividend growth in 2015 and beyond as the market improves and extra production drives earnings higher.

BCE Inc.

BCE is a dominant player in the Canadian communications industry, and that situation in set to continue for a long time. With its strong portfolio of wireless, wireline, and media assets, BCE generates significant cash flow and returns more of it to shareholders every year.

Recent acquisitions should make dividend investors happy. The company just spent $3.95 billion to take its Bell Aliant subsidiary private. All the free cash flow that had been going to Bell Aliant's shareholders will now be available for investors in BCE. The company's 2013 purchase of Astral Media is also generating strong revenue.

BCE pays a dividend of $2.48 per share that yields about 4.7%. Slow and steady wins the race these days, and investors can rest easy knowing the dividend will continue to grow. They can also pick up some nice capital appreciation along the way; BCE's shares have risen more than 90% in the past five years.

Emera Inc.

Emera is an electricity generation, transmission, and distribution company based in Nova Scotia. This is a great choice for investors who want to buy a stock and forget about it, knowing that their capital is safe and they can collect a larger distribution each year.

Emera pays a dividend of $1.56 that yields 4.1%. You might think power companies are boring, but the returns certainly aren't. Emera's stock is up 60% in the past five years and 106% in the past decade.

Potash, BCE, and Emera are great choices to start a dividend growth portfolio, but you might want to add one or two more companies to diversify the holdings. Check out the free report below to see three stocks that are a perfect fit.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:EMA (Emera Incorporated)

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