# 2 Dividend Stocks to Buy, 1 to Avoid at All Costs

## Description

It is becoming harder and harder for income-seeking investors to find companies that pay large dividends, and when high-dividend payers are found in the current economic climate, the question the stability of these dividend payments always comes into play.



So, if income investors can't find companies with blockbuster yields, what should they look for? Simply looking for a company that pays large dividends is only part of the strategy. What investors should really look for is a company that consistently maintains or increases its dividend, because this is the sign that the company is financially healthy and consistently generating cash flow. Even better, these companies are usually stable, and see consistent gains in share value.

Here we will look at two companies that pay a healthy dividend and make an overall great investment: **Agrium Inc.** (TSX:AGU)(NYSE:AGU) and **Enbridge Inc** (TSX:ENB)(NYSE:ENB). We also look at one company that pays a high yield that may be in jeopardy: **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK).

**Agrium Inc.**

Agrium Inc. has either maintained or increased its dividend since 2002. Since 2012, the company has been quite aggressive in hiking its dividend. The current annual dividend yield is about 2.9%, and there is plenty of evidence to support future dividend increases. Dividend increases require more cash, and for a few reasons the company should see its cash flow increase in the coming quarters.

The company recently completed an expansion at its Vanscoy potash mine, and through that the company should expect more cash flow thanks to increased production and lower capital expenditures. Another factor to consider right now is the weakness in natural gas, one of Agrium's major expenses.

**Enbridge Inc.**

It may sound interesting to have an energy company as a top dividend pick given the current low energy price environment, however, Enbridge is a little different from most energy companies. Enbridge is an energy transporter that earns a fee for the crude and natural gas it transports through its network of pipelines. Even though energy prices are low right now, the demand for energy is still there and is expected to grow.

Enbridge is expanding, targeting average annual adjusted earnings growth of 10% to 12% by 2018. This expansion should mean more cash, which will mean more money to fund dividends.The company's current divided annual yield is 2.99%. The company's annualized dividend has been increased every year since 1996. The dividend has grown by an average of 13% per year over the past 10 years.

**Teck Resources Ltd.**

Teck Resources pays a large dividend. The current annual yield is about 5.3%, which is concerning when you think about the price rout the company's assets, including copper and coal, have recently gone through. Even more concerning is the fact that Teck is expanding into oil at a time when oil prices are low. The low prices of Teck's products have definitely impacted its share value. Many analysts believe that a dividend cut for this company is imminent, and I have to agree. The fall in oil, coal, and copper prices will continue to exert pressure on the company's finances, and a dividend decrease is one way the company can cut costs. For that reason, this is a high-yield company I would avoid.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks



**TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TECK.B (Teck Resources Limited)

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