The Top 10 Dividend Growth Stocks in Canada

Description

Imagine if you had bought these stocks 20 years ago.

If you had, today you would be earning yields of 53%, 64%, even 90%. And that's from blue-chip companies like **Atco Ltd.** (TSX:ACO.X) and **Enbridge Inc** (TSX:ENB)(NYSE:ENB).

Unfortunately, few people will ever earn yields like these. They want income now. But because of their impatience, most investors are missing out on some of the market's top income opportunities.

How to earn a 90% yield… from Enbridge?

When most investors are evaluating a stock, there's only one metric they consider: yield.

Does this sound like you? For most folks, size matters. If a stock doesn't offer an attention-grabbing payout, they're not interested.

Now, don't get me wrong. Yield is important. A higher payout puts more cash in your pocket. And for those of us in retirement, income today may be a top priority.

But yield isn't the only factor to consider. There's another metric, equally important, that most investors overlook: dividend growth.

Given enough time, even an income trickle can transform into a raging river of cash flow. Growing payouts also ensure our income stream can keep up with rising prices.

Take Enbridge, for example. Today, the stock pays a tidy 3.2% yield. That's okay, but it certainly won't knock your socks off.

It's only when you look at the company's payout over decades that you really appreciate this business. Since 1995, Enbridge has increased its dividend by 644%. If you had bought and held the stock over that time, while reinvesting all of your distributions, the yield on your original investment would be 89.5% today.

The same goes for **Empire Company Limited** (TSX:EMP.A) and **Canadian Natural Resources Limited** (TSX:CNQ)(NYSE:CNQ). If you'd bought these stocks back in 1995, your shares would now be yielding over 31% and 49% today respectively.

That's the power of dividend growth in action. Of course, this leaves one obvious question. How do you know if a company is going to increase its payout?

I've found it's best to look at firms that already have a strong dividend growth track records. After all, ifa company has a history of hiking its payout year after year, then clearly management is committed to rewarding shareholders.

With that in mind, here are the top 10 Canadian companies with the longest records of consecutive dividend increases.

Company	Yield	20-Year Yield on Cost	Ye
Fortis Inc	3.4%	40.4%	
Canadian Utilities Limited	2.8%	–	
Canadian Western Bank	2.9%	41.8%	
Atco Ltd	2.5%	64.9%	
Empire Company Limited	1.2%	31.5%	
Imperial Oil Limited	1.8%	12.3%	
Metro Inc	4.0%	53.3%	
Canadian National Railway Company	1.5%	34.2%*	
Enbridge Inc	3.2%	89.5%	
Canadian Natural Resources Limited	2.5%	49.7%	

*Source: Yahoo Finance *Since November 22, 1996*

As you can see above, each company on this list has hiked its payout annually for at least a decade. Clearly, the market likes this kind of behavior. Almost every stock on this list crushed the **S&P/TSX Composite Index** over the last 20 years.

The real story is what those dividend hikes have done for income investors. Just look at the yields you'd currently be earning if you had bought these stocks 20 years ago.

After two decades of payout increases, each one of these stocks offers an attractive yield. The top name on the list—**Fortis Inc** (TSX:FTS)—has a yield on cost of 40%. And that's from an $11 billion company.

That just goes to show what dividend growth can do for your portfolio. Given enough time, even the market's smallest yielders can turn into cash-cranking machines.

The No. 1 mistake dividend investors make

Of course, there are no sure things in investing. Just because a company has hiked its payout for 20 consecutive years doesn't mean you can count on dividend increases for the next 20 years.

But the lesson here is simple—if you're ignoring dividend growth, then you could be missing out on some of the market's best income opportunities.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:ENB (Enbridge Inc.)
4. NYSEMKT:IMO (Imperial Oil Limited)
5. TSX:ACO.X (ATCO Ltd.)
6. TSX:CNQ (Canadian Natural Resources Limited)
7. TSX:CNR (Canadian National Railway Company)
8. TSX:CU (Canadian Utilities Limited)
9. TSX:CWB (Canadian Western Bank)
10. TSX:EMP.A (Empire Company Limited)
11. TSX:ENB (Enbridge Inc.)
12. TSX:FTS (Fortis Inc.)
13. TSX:IMO (Imperial Oil Limited)
14. TSX:MRU (Metro Inc.)

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Date
2025/07/02
Date Created
2015/03/04
Author
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