



5 Top Dividend Growth Stocks to Buy Now

Description

Today, I want to share a simple formula that can help you build a portfolio of quality dividend stocks.

I'm not talking about any old dividend stocks, mind you. No, we're talking about dividend *growth* stocks. This system is so simple, it only takes a few minutes every year to manage. And best of all, you can get started today! Let me explain...

The 10-10 formula that's helping investors pick winning stocks

The 10-10 formula goes as follows: Seek out stocks that have...

- Raised their dividends every year for a least one decade, and
- Increased their payouts by at least 10% annually over the previous 10 years.

The method was developed by Tom Cameron, who used it to manage the aptly named Rising Dividend Growth Fund. Before his firm was acquired, Mr. Cameron delivered a 4.6% average annual return between 2006 and 2011, outperforming 98% of his peers.

The formula is strict. If a firm skips a dividend hike just once, the stock is removed from consideration for the next decade. By focusing on the consistent growers, you're left with only the very best companies in the market.

Why does it work? Well, when companies have long histories of increasing their dividends, it's safe to assume that they put their shareholders first. When businesses are forced to dole out a portion of earnings each year, management is less likely to squander capital on ego-boosting side projects.

As a result, dividend growth stocks tend to trounce the broader market over the long haul. That's why this screen is an ideal place to look for new investment ideas.

The minimalist guide to picking dividend stocks

So, with this in mind, I wanted to screen for Canadian companies that passed the 10-10 test. It was

slim pickings. Not a single bank made the list, which knocks out a number of your usual dividend candidates.

However, a few good stocks did show up. Here are the top results.

Company	10-Year Div CAGR	Yield
Shaw Communications Inc	29.6%	4.1%
Richie Brothers Auctioneers	17.1%	2.1%
Canadian Natural Resources Limited	23.1%	2.4%
Enbridge Inc	16.7%	3.2%
Canadian National Railway Company	15.9%	1.4%

Source: Google Finance

Enbridge Inc ([TSX:ENB](#))([NYSE:ENB](#)) is one of my favourite names on this list. Thanks to the oil boom across the continent, there's an enormous demand for new energy infrastructure. Companies, like Enbridge, that ship, store, and process all of these hydrocarbons are making money hand over fist, and that has resulted in a growing income stream for shareholders.

The **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is another great pick. Dividend investors often skip over this stock because of its meager yield. However, the company's payout is growing at a stunning 15% annualized clip. At this pace, it will only take a few years for the firm to double the size of its distribution.

The zen of dividend investing

This is not a formal list of buy recommendations. And given that this formula screens out some wonderful businesses, I wouldn't recommend using the 10-10 formula as a binding mechanical strategy.

However, it did reveal a number of interesting investment candidates. Stocks that pass the 10-10 formula show a true commitment to shareholders, making this a powerful screen to review stocks regularly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:RBA (Ritchie Bros. Auctioneers)
5. NYSE:SJR (Shaw Communications Inc.)
6. TSX:CNQ (Canadian Natural Resources Limited)
7. TSX:CNR (Canadian National Railway Company)
8. TSX:ENB (Enbridge Inc.)

9. TSX:RBA (Ritchie Bros. Auctioneers)
10. TSX:SJR.B (Shaw Communications)

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