The 5 Top Dividend Stocks in Canada

Description

What are the top dividend stocks?

"*Who cares?*" I hear you saying. Well, you better care, because if you don't pay attention to what I'm about to say, your chances of a comfortable retirement are slim.

The hard numbers behind retirement

Earning enough income is the biggest problem you'll face in your golden years. Unfortunately, making the numbers work has never been harder.

Let's say you want to live off your interest and dividends without touching your principal. If you've socked away $1 million and you need $30,000 in annual income, you'll need to earn 3% per year.

Not long ago, this wasn't too hard. However, with today's low interest rates, most GICs and money market funds pay out next to nothing. Even if you stash your cash in long-term bonds, you'll still fall short of your goal. That's why you need to consider an alternative income avenue: dividend-paying stocks.

The best income source out there

It's normal to be a little nervous about putting your money in equities. But you don't need to gamble your retirement on exotic mining companies or volatile tech stocks. Boring old dividend names still crank out big yields without the sleepless nights.

It gets better. Not only do they provide you with a recurring stream of income, but they also offer room for growth. That's essential if you want your cash flow to keep pace with inflation.

Of course, some people think dividend stocks deliver lousy returns. For example, take **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). Over the past 20 years, this company has increased its payout more than sixfold. If you had bought and held the stock over that time and reinvested all of your dividends, you would have earned an 18.5% annualized return. That's far better to what you would've made in the **S&P/TSX Composite Index**

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Think Enbridge is a fluke? Think again.

According to a study by RBC, dividend-paying stocks outperformed the broader market by an average of 3.6% per year between 1986 and 2012. Even better, they did so with a lot less volatility than their non-dividend-paying peers.

The royal family of dividends

So, how can you get started?

Thankfully, Standard & Poor's has a list that it calls the "Canadian Dividend Aristocrats." This is like the Top Gun Academy of stocks, so there are some stringent requirements to get in. A stock needs to

- be listed on the Toronto Stock Exchange.
- have a minimum market cap of $300 million.
- have increased its dividend for at least five consecutive years.

Like Pete "Maverick" Mitchell, stocks that regularly hike their dividends are a rare breed. However, this select group of companies have shown a true commitment to shareholders and an ability to hold up during downturns. Let's take a look at the longest-standing members on this list.

Company	Yield	10-Year Dividend Growth Rate	Ye
Fortis Inc	3.4%	9%	
Canadian Utilities Limited	2.8%	8%	
Canadian Western Bank	3.2%	18%	
Atco Ltd.	2.4%	9%	
Empire Company Limited	1.2%	8%	

Source: Yahoo! Finance

These companies have long track records of returning cash to shareholders and have demonstrated the ability to grow those dividends faster than inflation. In addition, most of these stocks have handily beaten the market over the past five years as well.

Growth, income, market-beating returns. Why do you still own GICs?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ACO.X (ATCO Ltd.)
3. TSX:CU (Canadian Utilities Limited)

4. TSX:CWB (Canadian Western Bank)
5. TSX:EMP.A (Empire Company Limited)
6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)

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rbaillieul