Dividend Investors: 3 Stocks to Start Your Portfolio

Description

If you're just entering retirement, and looking to generate some income from your savings, there aren't that many great options in the Canadian stock market. Too many of our companies are extremely risky, cyclical, or poorly managed—not the kind of companies you want to buy with your life savings.

Fortunately, if you look hard enough, you can find steady dividend payers worth holding for a long time. Below are three names to get you started.

1. BCE

First of all, if you're looking for some steady dividend stocks during your retirement, you should start with the big three telecommunications providers. With limited competition, high barriers to entry, and subscription-based revenue, these companies should earn steady profits for decades. Better yet, Canadians are consuming ever-increasing amounts of data, so these companies should continue to face growing demand.

Of the big three, **BCE Inc.** (TSX:BCE)(NYSE:BCE) has the highest-yielding dividend at 4.8%. This is because the company pays out practically all of its earnings to shareholders. To illustrate, last year the company made just under $3 per share in income, and this year the annual dividend totals $2.60 per share.

So, shareholders of BCE should know what they're getting. They shouldn't expect any reckless growth plans or big share buybacks—just a steady dividend that should persist for decades.

2. CIBC

At first glance, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) seems like an awful candidate for this list. After all, didn't the bank get crushed by subprime loans in 2008 and 2009?

Yes, CIBC has had its issues, but the company has transformed itself. It has gone back to basics—good old Canadian banking—and now practically all of its money is made in Canada. Risk management is a much bigger priority, and the bank is one of the best capitalized in the country.

As of this writing you can get a 4.5% dividend yield with CIBC shares. And here's the best part: CIBC only pays out about half its earnings to shareholders. So, even if earnings decline, the dividend is still very affordable.

3. Telus

Going back to the big three telecoms, **Telus Corporation** (TSX:T)(NYSE:TU) is a must-own in any retiree's portfolio. Telus is easily the best-in-class player among the big three—it has happier (and more loyal) subscribers, more exposure to growth industries, and stronger financials.

The company's dividend may not seem as attractive as BCE's. Based on today's prices, it yields about 3.7%. However, this is a dividend that has quadrupled in the past decade alone and is still less than 70% of last year's earnings. So, I would expect this payout to keep rising—something that retirees surely will appreciate.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:T (TELUS)

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Date
2025/07/22
Date Created
2015/04/10
Author
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