9 Stocks to Beat the Market

Description

Some say that it's safer to buy index funds. If you dollar-cost average into index funds that are representative of the market, you'll get average market returns. If you're looking for above-average returns though, you'll want to fill your portfolio with quality dividend-growth stocks. Studies show that dividends make up about one-third of the total returns.

Most dividend stocks are mature companies that bring in consistent earnings, making their dividends very reliable. They tend to grow investors' money 5-8% a year with a combination of earnings growth and dividend growth. If I were starting a portfolio today, I would begin my research with the following companies.

Utilities

Utilities generally bring in consistent earnings because electricity and gas are necessities in every household. It's no wonder that **Fortis Inc.** (TSX:FTS) and **Canadian Utilities Limited** (TSX:CU) have increased dividends for over 40 years. Currently, the former yields 3.7% while the latter yields 3.3%.

If you're feeling adventurous, look into **Brookfield Renewable Energy Partners L.P.** (TSX:BEP.UN)(NYSE:BEP), which started investing in hydropower 20 years ago. It is relatively new to dividend growth with only a five-year history. However, it yields 6% today because of the strong U.S. dollar. Remember to buy and hold it in a TFSA or an RRSP if you want to avoid a tax-reporting hassle because of its distributions.

Banks

When talking about dividend stocks, the top three Canadian banks must be discussed. Many U.S. banks slashed their dividends during the Financial Crisis, but **Royal Bank of Canada** (TSX:RY)(NYSE:RY), **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) only froze theirs, and a few years later continued increasing them. Today they yield from 3.8% to 4.7%, with Bank of Nova Scotia having the highest yield.

Pipelines

Pipeline companies generate cash flows from storing and transporting energy. They're less affected by commodity price fluctuations. So, they're safer than many energy companies, especially the ones that have slashed their dividends thus far.

While the oil price has come down, the leading pipeline businesses, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP), continued to increase their dividends. They yield 3.6% and 4.7%, respectively. If you're looking for a higher yield and a potentially higher-growth pipeline, consider the smaller firm, **Inter Pipeline Ltd.** (TSX:IPL), which yields 5.9%.

In conclusion

If I were starting a portfolio today, I would start with these companies that consistently pay their shareholders. I'm not saying that these businesses will beat market returns every single year, but they're likely to outrun the market over the long term. In down markets, it's easier for shareholders to hold on to these companies because the growing dividends provide positive returns and consistent cash flows.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. NYSE:TRP (Tc Energy)
7. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
8. TSX:BNS (Bank Of Nova Scotia)
9. TSX:CU (Canadian Utilities Limited)
10. TSX:ENB (Enbridge Inc.)
11. TSX:FTS (Fortis Inc.)
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