A Simple 3-Stock Dividend-Growth Portfolio for New Investors

Description

To build a solid dividend portfolio, we want its components to be great businesses that have a history of doing well. These companies also have a history of paying growing dividends to shareholders. So, it's a good time to buy when their yields are historically high.

A solid bank with a 4.9% yield

Canadian banks are known to be some of the most solid banks in the world. So, it only makes sense for Canadians to invest in at least one.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is the third-largest bank in Canada by market cap. It's Canada's most international bank and provides leading financial services in North America, Latin America, the Caribbean and Central America, and parts of Asia. The bank's 87,000 employees serves 21 million customers around the world.

The bank has a long history of paying dividends. It has paid a dividend since 1832. Naturally, it's the first choice for any new investor. Especially since the bank is attractively valued. Priced around $57 per share, it is over 19% off its 52-week high. It yields about 4.9%, which is historically high for the bank.

A quality REIT with a 4.4% yield

Real estate investment trusts (REITs) are a great way for investors to earn passive rental income. **Canadian REIT** (TSX:REF.UN) is the first publicly traded REIT in Canada, and it serves as a role model for other REITs. It is a conservatively run business that accumulates high-quality properties and maintains a high occupancy rate and a low payout ratio.

From 1994 to 2014, its funds from operations only declined twice during recessions in 2001 and 2009. After declining 18% from its high of $50 per share, investors can now buy shares at $41 for a 4.4% yield. When expecting the diversified REIT to grow around 3% a year, investors can project to get annualized returns of about 7%.

If you don't mind tracking the cost basis, it's actually tax efficient to hold REITs in a non-registered (taxable) account if a large portion of their distributions is from return of capital. Essentially, the return of capital reduces the cost basis, and so is taxed at the sale of the REIT units or when your adjusted cost basis becomes negative.

However, if you wish to avoid this hassle, then you should purchase REITs in a TFSA or an RRSP.

A stable pipeline with a 5% yield

TransCanada Corporation (TSX:TRP)(NYSE:TRP) owns and operates pipelines and gas storage that are necessary infrastructures to transport and store oil and gas. It also has power plants that generate up to 11,800 megawatts of power.

After declining 29% from its 52-week high of $59, TransCanada can now be bought at a discount at under $42 at a yield of 5%. What's more to like is that the company forecasts its dividends to grow at an annualized rate of 8-10% through to 2017.

In conclusion

New investors can start a solid dividend-growth portfolio with these three stocks from stable industries. If you bought equal dollar amounts in each of them today, you'd start with an average yield of over 4.7%. That's more than a couple percentage points above the interest rate you'd earn from a GIC.

Your investments will also steadily appreciate in the long term because they are businesses that become more valuable over time.

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1. Dividend Stocks
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2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TRP (TC Energy Corporation)

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