



2 Quality Dividend-Growth Stocks With 5% Yields

Description

If I restarted my dividend portfolio today, I would start with these two dividend-growth stocks that yield 5% or higher. They are quality businesses with competitive advantages, and have a history of rewarding shareholders with a growing income.

Bank of Nova Scotia: 4.9% yield

You can't go wrong with one of the top three banks of Canada. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) yields the highest in the group. At about \$57, it yields 4.9%. That yield is substantially higher than **Toronto-Dominion Bank's** 4% yield and 50 basis points higher than **Royal Bank of Canada's** 4.4% yield.

From 2004 to 2014, Bank of Nova Scotia grew earnings per share by an annualized rate of 7%. In the same period, its dividends climbed 9% every year.

Now that the bank's shares are priced at a price to earnings ratio (P/E) of 10, there's no question that it's cheap. After all, the bank normally trades above a P/E of 12. So, the bank could trade around \$70 again, implying it is discounted by about 19%.

Bank of Nova Scotia is focused in Canada with 50% of its operations in Canadian banking. Simultaneously, it has international operations that reach Latin America, the Caribbean and Central America, and parts of Asia.

Brookfield Renewable Energy Partners L.P.: 6.1 yield

Brookfield Renewable Energy Partners L.P. ([TSX:BEP.UN](#))([NYSE:BEP](#)) has the capacity to generate up to 7,400 Megawatts of power with its 250 power-generating facilities. It generates 80% of its power by hydro power and 18% by wind power.

The stable nature of its utility business and steady cash flows make Brookfield Renewable a top choice for income investors. Brookfield Renewable pays out a quarterly distribution of US\$0.415 per unit. At under \$36 per share, it equates to 6.1% yield due to the strong U.S. dollar.

The utility has a five-year history of growing dividends, with a guidance to grow the distribution by 5-9% per year. Brookfield Renewable is also targeting an average return of 12-15% per year for shareholders.

To avoid tax-reporting headaches, hold Brookfield Renewable shares in a TFSA or an RRSP because their distributions (not exactly dividends) are not entirely Canadian eligible and are taxed differently.

In conclusion

Both are excellent businesses with competitive advantages. Bank of Nova Scotia operates in an oligopoly environment in Canada, while Brookfield Renewable has been investing in hydro power for 20 years. The utility is also riding on the tailwind of a growing demand for green energy.

The safest dividend is the one that has just been raised. Both Bank of Nova Scotia and Brookfield Renewable have hiked their dividends within the last 12 months. With both yielding above-average yields of 5% or higher, it's a no-brainer for Foolish investors to consider them as long-term investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)

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