2 Top Dividend Stocks for Canadian Income Investors

Description

The Canadian market is full of attractive-looking dividends these days, but income investors have to be careful when chasing yield.

It is important to stay away from risky sectors like energy, but you also don’t want to overpay for a safe-haven stock when everyone is running to it.

With these thoughts in mind, I think income investors should consider **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) and **RioCan Real Estate Investment Trust** (TSX:REI.UN) right now.

Sun Life

Sun Life really took it on the chin during the financial crisis, but management maintained the dividend throughout the difficult times, and that earned the company a lot of respect in the market.

Today, Sun Life is back on solid ground and growing at an impressive clip.

The company has acquired several companies in the past year as it beefed up its asset management division. This is important for investors because the move into this sector provided a nice compliment to the company’s strong insurance and wealth management operations.

Many dividend investors have traditionally gone to the banks when looking for a financial services company, but the headwinds facing the Canadian housing and energy sectors could mean some lean times for the banks in the next few years.

Sun Life is a good way for investors to play the financial sector and get some international exposure, while minimizing some of the risks facing the banks. Only 39% of Sun Life’s Q2 revenue came from the Canadian operations.

Sun Life pays a quarterly dividend of $0.38 per share that yields about 3.4%. The company raised the payout by 6% earlier this year, and investors should see reliable dividend growth moving forward.

RioCan

RioCan operates 293 retail properties in Canada and another 47 in the United States. The company's anchor tenants are stable household names with strong businesses and long-term contracts.

RioCan's stock has come under pressure this year as investors fret about the weakening Canadian economy and the possibility of rising interest rates.

A slowing economy will certainly cause people to tighten their belts, but RioCan's major tenants are grocery stores, drug stores, discount merchandisers, and providers of essential household goods.

These companies are more than capable of weathering difficult economic times, and some could actually see business improve as shoppers move to budget-friendly options.

As for interest rates, a rising rate environment makes debt more expensive, and REITs tend to carry a lot of debt. However, rates are not likely to start rising in Canada for quite some time. The last two changes have actually been downward.

In the U.S., the move to increase rates will come sooner, but the size and frequency of the moves will likely be small and drawn out. As a result, RioCan should be able to adjust without much trouble.

RioCan reported a 7% increase in funds from operations in the second quarter compared with the same period last year and signed 1.1 million square feet of new lease agreements at an average price hike of 9.8%.

That suggests things are rolling along just fine.

RioCan pays an annualized distribution of $1.41 per trust unit, which translates into a yield of about 5.3%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:SLF (Sun Life Financial Inc.)

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