Dividend Stocks on Sale for Christmas

Description

Don't forget to add some dividend stocks to your Christmas shopping list. These stocks actually have a tendency to pay out higher dividends year after year.

As their dividends continue to grow, your income from owning them increases. The longer you hold them, the more income you receive.

Canadian banks are on sale

If you'd bought **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) five years ago, your income would have increased 42.9%. You would have earned dividends of $100 in 2010, but by this year you would instead receive $142.9.

At under $56 per share, Bank of Nova Scotia is on sale at a 21% discount, and it yields an above-average yield of 5%.

Another cheap bank today is **National Bank of Canada** (TSX:NA). At under $40, the bank is on sale at a 20% discount, and it yields a historically high yield of 5.4%.

If you'd bought the bank five years ago, your income would have increased 63.6%. So if you earned $100 in dividends in 2010, you would have received $163.6 the next year without accounting for further dividend increases.

Pipelines are on sale

The energy infrastructure leaders are on sale. That's probably why we see **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) ticking up 11% over the past five trading days. It went up 5% on Monday alone!

TransCanada is still cheap though. Based on its normal price to cash flow ratio (P/CLF), its fair value should be around $56. So at about $46, it's discounted by almost 18% and yields 4.5%. It'd be better to buy shares when they have a yield closer to 5% if the opportunity arose though.

If you'd bought this energy infrastructure company five years ago, your income would have increased 30%. So if you earned $100 in dividends in 2010, you would have received $130 the next year without accounting for further dividend increases.

Enbridge Inc. (TSX:ENB)(NYSE:ENB), on the other hand, yields 5.1%. Based on its normal P/CLF, its fair value should be around $61. So at $41, it's discounted by almost 33%.

Although Enbridge has a larger discount and is expected to experience higher growth than TransCanada, Enbridge is higher risk than TransCanada. Enbridge has higher financial leverage and S&P gives it a credit rating of BBB+, while TransCanada enjoys a rating of A-.

Self-directed investors have the flexibility to decide if they want to take on more risk for a potentially higher return by investing in Enbridge over TransCanada. That said, there's nothing stopping you from buying more of one company over the other instead of only investing in one.

If you'd bought Enbridge five years ago, your income would have increased 120%. So if you earned $100 in dividends in 2010, you would have received $220 the next year without accounting for further dividend increases.

Conclusion

The banks are more stable investments than the energy infrastructure companies. Nonetheless, investors who buy today at depressed levels and above-average yields will be very happy down the road as they'll likely be receiving higher dividends and sitting on some nice capital gains.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
6. TSX:NA (National Bank of Canada)
7. TSX:TRP (TC Energy Corporation)

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