3 Inexpensive Dividend Stocks

Description

Investors shouldn't overpay for stocks because it can take a long time for business performance to catch up to the investment. So, it's always better for investors to buy companies at reasonable prices. This way your capital is not only safer, but you also buy more assets with less money.

Here are three inexpensive dividend stocks for you to consider.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) offers protection and wealth products and services to individual and corporate customers in Canada, United States, and Asia. Sun Life is well established in Canada and earns about 48% of net income from there.

Sun Life has a strong financial profile with an S&P credit rating of A and a debt-to-cap ratio of 22%.

Historically, it has normally traded at a multiple of 15. Today it's trading at a multiple of about 12.4. So, it's discounted by about 18%.

Sun Life raised its dividend two times this year for an annualized rate of 8.3%. At under $44 per share, it yields almost 3.6%. With a payout ratio of about 45%, Sun Life's dividend is sustainable.

Magna International Inc. (TSX:MG)(NYSE:MGA) is a leading automotive supplier with 285 manufacturing operations and 83 product development, engineering, and sales centres in 29 countries.

Magna International has a strong financial profile with an S&P credit rating of A- and a debt-to-cap ratio of 13%.

At $58.50 per share, it's trading at a multiple of about 9.7. For a company that's expected to grow around 12% in the foreseeable future, it's a cheap multiple.

Magna International has increased its dividend for five consecutive years. This year it increased the dividend by 15.8%. The automotive supplier pays out dividends in U.S. dollars.

It currently pays out a quarterly dividend of US$0.22 per share, which is a yield of approximately 2% at $58.50 per share. As the foreign exchange rate fluctuates, investors should expect their yield to fluctuate as well, unless you're receiving the dividends in U.S. dollars instead of in Canadian dollars.

Canadian Utilities Limited (TSX:CU) is a diversified utility with assets in pipelines, natural gas and electricity transmission and distribution, power generation, industrial water infrastructure, and natural gas gathering, processing, and storage.

Canadian Utilities has a strong financial profile with an S&P credit rating of A and a debt-to-cap ratio of 55%.

The utility is trading at a multiple of about 16. Historically, it has normally traded at a multiple of about

17.5. So, there’s a slight discount for its shares at about $32 per share.

Canadian Utilities has hiked the dividend by 10.3% this year. At under $32, it yields 3.7%. The utility has increased its dividend for 43 consecutive years, making it the top dividend-growth company in Canada.

Based on its usual schedule, it should increase its dividend soon for the first quarter of the new year.

Conclusion

By paying an inexpensive price for financially strong businesses such as Sun Life, Magna International, and Canadian Utilities, investors can expect decent returns over the long term. Investors are likely to get a growing income from dividends while holding.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:MG (Magna International Inc.)
4. TSX:SLF (Sun Life Financial Inc.)

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