2 Top Dividend Stocks to Start 2016

Description

Income investors are starting to line up new picks for 2016, and there is a wide selection of attractive yield out there.

As we have seen with the energy sector in 2015, many of the names with oversized payouts could be at risk of a dividend cut, so investors should be careful when chasing a payout that looks too good to be true.

With this thought in mind I think dividend investors should consider **Telus Corporation** (TSX:T)(NYSE:TU) and **Fortis Inc.** (TSX:FTS) for safe yield in 2016.

Telus

Telus recently dropped 8% on the news that **Shaw Communications Inc.** has agreed to buy Wind Mobile.

Shaw and Telus already compete for TV and Internet customers in western Canada, and the market is nervous that the new mobile competition is going to impact Telus in a meaningful way.

I don't think that will happen.

Telus already offers attractive mobile packages and is rated the best mobile operator in the country when it comes to customer service. The company is also winning new clients in markets where it competes with the other two mobile giants, so the entrance of Shaw should not be a big concern.

In Q3 2015, Telus added nearly 70,000 net new mobile subscribers, 24,000 new TV customers, and 26,000 additional Internet users compared with the same period in 2014.

The company has raised its dividend 12 times in the past five years and continues to generate significant free cash flow. The current quarterly payout of $0.44 per share now offers a yield of 4.6%.

The drop in the stock price looks overdone, and investors should consider adding Telus to their portfolios while it its still cheap.

Fortis

Fortis operates electricity generation and natural gas distribution assets in Canada, the U.S., and the Caribbean.

Last year Fortis spent $4 billion to acquire Arizona-based UNS Energy. The deal gave Fortis a broader footprint in the U.S. and investors are already benefiting from the move as the U.S. dollar continues to hit multi-year highs against the loonie.

In fact, Fortis now gets more than 40% of its revenue from the U.S., so the company is a great way to play a strong greenback.

Here in Canada, Fortis recently completed an expansion at its hydroelectric facility in British Columbia. That asset is also providing a nice cash flow stream to support the dividend.

Income investors like the stock because regulated assets generate 96% of total revenue, which means cash flow and earnings are reasonably predictable.

Fortis just increased the quarterly dividend by 10% and has raised the payout every year for more than four decades. The current distribution of $0.375 per share yields 4%.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. TSX:FTS (Fortis Inc.)
3. TSX:T (TELUS)

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aswalker