

## What's So Great About 4% Dividend Yields?

### Description

A dividend yield of 4% is the sweet spot. Why? Generally, you can expect some growth to occur in such an investment. At the same time, the 4% yield adds to your cash inflow and is especially useful in a falling market as it can be used to buy more shares.

Growth is important in any investment. The higher the growth, the higher your returns will be. And in case you overpaid for an investment, growth can help mitigate the misstep.

Before you invest in a company, determine if it's growth oriented, income oriented, or a bit of both, so you know what to expect from the investment. And if it doesn't seem to be working out the way you intend it to, tweak your plan.

With all that's said, where can you find great 4% dividend yields today?

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank in Canada and is a top 10 North American bank. It has more than 24 million customers around the world, of which about 45% are active online or mobile customers.

Toronto-Dominion Bank earns about 25% of its net income from its U.S. Retail business segment and about 60% from its Canadian Retail business segment.

At about \$55 per share, Toronto-Dominion Bank trades at a multiple of 11.6, which is considered fairly valued.

Toronto-Dominion Bank has paid dividends for over a century. On top of that, it pays out about 48% of its earnings, so there's a margin of safety for its dividend.

If you buy its shares at a 4% yield or higher, you can essentially buy and hold it forever and simply collect its dividend every three months. Right now the bank yields 4%.

Additionally, Toronto-Dominion Bank tends to increase its dividend every year. Last time it hiked it by 7.8%. According to its usual schedule, its next hike will be in the second quarter of 2017.

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) is the fastest-growing telecommunications company in Canada. It earns annual revenues of about \$12.6 billion from 12.4 million customers.

At about \$43 per share, Telus yields 4.3% and trades at a multiple of 16.5, which is considered fairly valued. Telus pays out about 70% of its earnings and intends to continue growing its dividend at a rate of 7-10% per year in the next few years.

### Summary

Toronto-Dominion Bank and Telus offer safe yields of at least 4%, which should continue to grow at a

rate of at least 6% in the next few years.

Investors should focus on buying these companies on dips and hold on to the shares for a growing income. For example, Telus would be a better buy if it fell to the \$41 level for a starting yield of almost 4.5%.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TD (The Toronto-Dominion Bank)

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