These S&P/TSX 60 Constituents Just Raised Their Dividends

Description

As history has shown, dividend-paying stocks outperform non-dividend-paying stocks over the long term, and the top performers are those that raise their payouts every year. It's for this reason that all long-term investors should own at least one dividend-growth stock, and, depending on your age, investment goals, and risk tolerance, maybe even a portfolio full of them.

With this in mind, let's take a look at two S&P/TSX 60 constituents that raised their dividends last week and have active streaks of annual increases, so you can determine which would be the best fit for your portfolio.

Canadian Tire Corporation Limited

Canadian Tire Corporation Limited (TSX:CTC.A) is one of Canada's largest retailers with a network of nearly 1,700 stores under its many banners, including Canadian Tire, PartSource, Sport Chek, and Mark's. It also owns Canadian Tire Financial Services, which operates as Canadian Tire Bank, and it has an 85.1% effective interest in **CT Real Estate Investment Trust**, which is one of the country's largest owners of commercial real estate.

In its third-quarter earnings report on Thursday, November 10, Canadian Tire announced a 13% increase to its quarterly dividend to $0.65 per share, representing $2.60 per share on an annualized basis, and this brings its stock's yield up to about 1.9% today. The first payment at this increased rate will come on March 1 to shareholders of record at the close of business on January 31.

A 1.9% yield may not seem impressive, but, before you write it off, you must make the following two notes.

First, Canadian Tire has raised its annual dividend payment for six consecutive years, and the hike it just announced puts it on pace for 2017 to mark the seventh consecutive year with an increase.

Second, the company has a target payout range of 25-30% of its prior year's net earnings, so I think its consistent growth, including its 3% year-over-year increase to $5.79 per diluted share in the first nine months of fiscal 2016, could allow its streak of annual dividend increases to continue for another seven years.

Sun Life Financial Inc.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) is one of the world's leading international financial services organizations. It provides a diverse range of protection and wealth products and services to more than 37 million clients around the world.

In its third-quarter earnings report on Wednesday, November 9, Sun Life announced a 3.7% increase to its quarterly dividend to $0.42 per share, representing $1.68 per share on an annualized basis, which brings its stock's yield to about 3.3% today. The first payment at this increased rate will come on

December 30 to shareholders of record at the close of business on November 30.

It's also important for investors to make the following two notes about Sun Life's dividend.

First, following its next dividend payment, the company will have officially raised its annual dividend payment for two consecutive years, and its two hikes in the last seven months have it on pace for 2017 to mark the third consecutive year with an increase.

Second, Sun Life has a target payout range of 40-50% of its underlying net income, so I think its consistently strong growth, including its 6.6% year-over-year increase to $2.89 per share in the first nine months of fiscal 2016, will allow its streak of annual dividend increases to continue in 2018 and beyond.

Is one a better buy than the other?

I think both Canadian Tire and Sun Life Financial represent great long-term investment opportunities today, but if I had to choose just one, I'd go with Sun Life because it has a much higher yield.

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