Start Building Wealth in 2017 With These 4-9% Yielders

Description

Investing in dividend-growth stocks is one of the most powerful and time-proven strategies to build wealth. With this in mind, let's take a look at two stocks with high and safe yields, track records of growing their dividends, and the ability to continue growing their dividends going forward, so you can determine if you should invest in one or both of them today.

Pattern Energy Group Inc.

Pattern Energy Group Inc. (TSX:PEG)(NASDAQ:PEGI) is one of the world's leading independent generators of wind power with a portfolio of 18 facilities, including one it has agreed to acquire, and a total owned interest of 2,644 megawatts. Its facilities are located across the United States, Canada, and Chile and involve long-term, fixed-price power-sale agreements with creditworthy counterparties.

Pattern Energy currently pays a quarterly dividend of US$0.408 per share, representing US$1.632 per share on an annualized basis, giving its stock a whopping 8.7% yield today.

A yield this high may cause some investors to cast doubt on its stability, but it's actually very easy to confirm it as being safe; this is because Pattern Energy provides a cash flow metric called cash available for distribution (CAFD) in its earnings reports. In its nine-month period ended on September 30, its CAFD totaled $96.73 million, and its dividend payments totaled just $85.16 million, resulting in a sound 88% payout ratio.

On top of having a very high and safe yield, Pattern Energy is one of the industry's best dividend-growth plays. It has raised its dividend for 11 consecutive quarters, which puts it on pace for fiscal 2017 to mark the fourth consecutive year in which it has raised its annual payment.

It's also important to note that Pattern Energy has a long-term payout target of 80% of its CAFD, so I think its incredibly strong growth, including its projected 46% year-over-year increase at the midpoint of its estimated range of US$130-140 million in fiscal 2016, could allow its streak of quarterly and annual dividend increases to continue through 2020 at the very least.

Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) is one of Canada's leading providers of financial products and services to individuals, small- and medium-sized businesses (SMBs), real estate developers, and independent advisors, and it operates a full-service brokerage. As of October 31, 2016, it has 152 bank branches, 28 commercial banking centres, 18 brokerage offices, and approximately $43 billion in assets.

Laurentian Bank currently pays a quarterly dividend of $0.61 per share, representing $2.44 per share on an annualized basis, which gives its stock a lavish 4.2% yield today.

It may not seem completely necessary to confirm the safety of Laurentian Bank's 4.2% yield, especially since the World Economic Forum has ranked Canada's banks as the soundest in the world for eight consecutive years, but I think investors should always do so anyways, and you can do this by checking its earnings.

In its fiscal year ended on October 31, 2016, its adjusted net income available to common shareholders totaled $173.7 million, and its dividend payments totaled just $73.62 million, resulting in a healthy 42.4% payout ratio, which is at the low end of its target range of 40-50%.

Like Pattern Energy, Laurentian Bank offers dividend growth in addition to its high and safe yield. Fiscal 2016 officially marked the ninth consecutive year in which it has raised its annual dividend payment, giving it a longer active streak than Canada's six largest banks, and its recent hikes have it positioned for fiscal 2017 to mark the 10th consecutive year with an increase.

As mentioned previously, Laurentian Bank has a target dividend-payout range of 40-50% of its adjusted net income available to common shareholders, so I think its continuous growth, including its 6.8% year-over-year increase to an adjusted $173.7 million in fiscal 2016, could allow its streak of annual dividend increases to continue for another decade.

Is one a better buy right now?

Pattern Energy and Laurentian Bank both offer high, safe, and growing dividends, but if I had to choose just one to invest in today, I'd go with Pattern Energy because it has a much higher yield and because it has been growing its dividend at a much higher rate.

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