

## 5 Stocks to Climb the Dividend Ladder

### Description

As every dividend investor knows, the higher the dividend yield, the higher the potential risk. Of course, the corollary is also true: not every high-yield stock is high risk.

The trick for income investors is to find the right balance between generating enough income to support your needs while ensuring the preservation of your capital.

One's ability to climb the dividend ladder while minimizing risk is an essential part of any income investor's success.

These five stocks will help you do just that.

### 1% Yield

I just [wrote](#) about **Stella-Jones Inc. (TSX:SJ)**, a manufacturer of pressure-treated wood railway ties and hydro poles on January 18, so it's a company that's very fresh in my mind. It's one of the top-performing stocks on the TSX over the past five years — with an annualized total return of 31.1% — but its stock has hit a bit of a rough patch lately and is down 10.9% year-to-date.

This isn't a sexy stock by any means, and its 1% yield is probably not that enticing to income investors, but the need for its products isn't going away anytime soon. Sure, utilities could start putting all of their wires underground, but unless trains stop moving stuff across this great big country of ours, railway tie demand isn't going away.

### 2% Yield

I can think of no better stock to own as a foundational piece of any investment portfolio. **Fairfax Financial Holdings Ltd. (TSX:FFH)** is Prem Watsa's gift to Canadians. An insurance and private equity firm built in much the same way that Warren Buffett made **Berkshire Hathaway Inc.**, it's become a smashing success.

Watsa's latest [moves](#) on the insurance front and in his more private equity-related investments suggest the 66-year-old is only getting started in growing Fairfax into a global financial force.

And, for good measure, Fairfax Financial's dividend yield of 2.2% is 2.2% more than Warren Buffett pays.

### 3% Yield

How many times over the years have the so-called experts said the movie business was dead? That theatres would go out of business as people stayed home to watch movies without having to schlep out to the local mall. First, it was VHS; then it was home theatres. Who knows what the next threat will be to **Cineplex Inc. (TSX:CGX)**, but the one thing I do know is that very few companies have kept

pace with changing times like it has.

Fool.ca contributor Joey Frenette calls Cineplex a [dividend-growth king](#), and he's not wrong. Sporting a 3.1% dividend yield and business model that has it expanding well beyond the four walls of its movie theatres, investors should expect it to continue outperforming the S&P/TSX 60 in the years ahead.

A big plus: CEO Ellis Jacob is one of Canada's best chief executives, deserving of all the fine praise he gets; in fact, *Canadian Business* magazine named him their 2013 Most Innovative CEO of the Year.

Great CEO. Great company. Great stock.

#### 4% Yield

We all have to heat our homes; no one knows this better than **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), which are in the middle of a five-year, \$26 billion growth initiative that will see it become a more diversified business which is better protected from downturns in its various businesses.

Currently providing investors a 4.1% dividend yield, Enbridge expects to grow its annual dividend by 10-12% per year through 2024. In seven years, the company expects to pay out at least \$4.52 in dividends to investors each year — a yield of 7.9% based on its current stock price.

As Fool.ca contributor Jacob Donnelly [stated](#) at the end of December, "For investors that want a stable and secure yield that grows, I say buying Enbridge is a no-brainer."

I second this sentiment. With or without **Spectra Energy Corp.**, Enbridge is one of Canada's dividend darlings.

#### 5% Yield

I last covered **Exchange Income Corporation** ([TSX:EIF](#)) in late October, and nothing has changed that would alter my opinion of the transportation company, which has grown through acquisitions over the years.

Starting in 2004 with the acquisition of Perimeter Aviation Ltd., management has successfully built a company with annual revenues closing in on \$1 billion and a \$1.2 billion market cap. Yielding 5% at the moment, your 2016 total return would have included 48% in capital appreciation to go along with the healthy 60% dividend payout.

As far as high-yield stocks go, EIF is a keeper.

#### CATEGORY

1. Dividend Stocks
2. Investing

#### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:EIF (Exchange Income Corporation)

4. TSX:ENB (Enbridge Inc.)
5. TSX:FFH (Fairfax Financial Holdings Limited)
6. TSX:SJ (Stella-Jones Inc. )

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