

2 Dividend Stocks Yielding 3-6% to Buy Now

Description

Dividend stocks should be core holdings in every investor's portfolio, because as history has shown, they far outperform their non-dividend-paying counterparts over the long term. With this being said, let's take a closer look at two with yields of 3-6% that you could buy today.

Acadian Timber Corp.

Acadian Timber Corp. ([TSX:ADN](#)) is a leading supplier of primary forest products in eastern Canada and the northeastern United States. It's also the third-largest timberland operator in New Brunswick and Maine with a total of 2.4 million acres of land under management.

Acadian currently pays a quarterly dividend of \$0.275 per share, equal to \$1.10 per share on an annualized basis, and this gives it a yield of about 6% today.

It's of the utmost importance to always confirm the safety of a stock's dividend before making an investment, and you can do this with Acadian by checking its dividend payment as a percentage of its free cash flow (FCF). In its three-month period ended on March 31, its FCF totaled \$7.39 million (\$0.44 per share), and its dividends declared totaled just \$4.6 million (\$0.27 per share), resulting in a sound 62.3% payout ratio, which is well below its target level of 95%.

On top of being a safe high yielder, Acadian is a dividend grower. It has raised its annual dividend payment for two consecutive years, and its 10% hike in February has it positioned for 2017 to mark the third consecutive year with an increase.

I think Acadian can continue its streak of annual increases for many years to come. Its very strong financial performance, including its 9.6% year-over-year increase in net income to \$4.76 million and its 19.7% year-over-year increase in FCF to \$7.39 million in the first quarter of 2017, and its vastly improved payout ratio, including 62.3% in the first quarter of 2017 compared with 86.3% in the full year of 2016, will allow its streak of annual dividend increases to continue for another three years at least.

Manulife Financial Corp.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is one of the world's largest financial services groups, operating as John Hancock in the United States and Manulife elsewhere. It provides financial advice, insurance, and wealth and asset management solutions to over 22 million customers around the world.

Manulife currently pays a quarterly dividend of \$0.205 per share, equal to \$0.82 per share on an annualized basis, which gives it a yield of about 3.4% at today's levels.

It may not seem completely necessary to confirm the safety of Manulife's dividend, since it's one of the world's most well known and trusted financial services companies, but I think investors should always do so anyways, and you can do this by checking its dividend payments as a percentage of its net

income. In its three-month period ended on March 31, its common shareholders' net income totaled \$1.31 billion, and its common share dividend payments totaled just \$403 million, resulting in a very conservative 30.8% payout ratio.

Like Acadian, Manulife offers dividend growth in addition to its high and safe yield. It has raised its annual dividend payment each of the last three years, and its 10.8% hike in February has it on pace for 2017 to mark the fourth consecutive year with an increase.

I think Manulife will continue to deliver dividend growth going forward. Its incredibly strong growth of common shareholders' net income, including its 34.7% year-over-year increase to \$2.8 billion in 2016 and its 28.8% year-over-year increase to \$1.31 billion in the first quarter of 2017, and its continued growth of assets under management and administration that will help fuel future net income growth, including its 11.2% year-over-year increase to a record \$1.01 trillion in the first quarter of 2017, will allow its streak of annual dividend increases to easily continue into the late 2020s.

Which of these dividend payers belongs in your portfolio?

I think Acadian Timber and Manulife would make great additions to any Foolish portfolio, so take a closer look at each and strongly consider making at least one of them a core holding in yours today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ADN (Acadian Timber Corp.)
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