



Build a Diversified Portfolio With These 3 Dividend Stocks

Description

Bargains are scarce in a lofty market. However, you can still get reasonable returns from fairly priced stocks. Here are three dividend stocks you can consider for diversification and income. They include **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)).

Diversification

Enbridge transports and distributes energy in North America with its diversified liquids and natural gas energy infrastructure assets. Additionally, it has interests in some renewable and alternative power-generation assets.

Toronto-Dominion Bank is one of the most profitable publicly traded companies on the Toronto Stock Exchange and is the second-largest Canadian bank. It has strong retail banking operations in Canada and generates a sizeable profit in the United States. In the second quarter, it generated 34% of its earnings in the U.S.



Suncor Energy is an integrated energy business involved in oil sands development, offshore oil and gas production, petroleum refining, and product marketing under the Petro-Canada brand. It is one of

the safest ways to gain exposure to the energy sector along with Enbridge. Higher commodity prices will benefit Suncor Energy.

Dividend safety and growth

Enbridge's cash flow generation should be quite stable because it is supported by long-term contracts and has limited exposure to commodity pricing. Furthermore, 93% of its revenue comes from investment-grade or equivalent customers.

In the long run, Enbridge aims to grow its dividend by 10-12% per year through 2024 with a sustainable payout ratio of 50-60% of available cash flow from operations.

Toronto-Dominion Bank has a history of growing its dividend. Its three-year dividend-growth rate is nearly 8.5%. With a payout ratio of about 50% and its earnings per share estimated to grow by about 9% per year, it's possible that the quality bank can continue growing its dividend by 8-9% per year.

Suncor Energy has increased its dividend every year since 2003. That said, there's no doubt energy companies are having a hard time with low energy prices.

Last year, Suncor Energy only hiked its dividend by 2%, which was much lower than its long-term average of 19%. If anything, this shows the management is committed to the dividend.

Investor takeaway

All three companies are fairly priced today. At their recent trading prices of \$51.84, \$65.47, and \$37.54 per share, respectively, Enbridge, Toronto-Dominion Bank, and Suncor Energy offer yields of 4.7%, 3.7%, and 3.4%.

If we don't experience a market-wide correction, the share prices of these large-cap, stable dividend stocks will likely tread steadily higher over time. Out of the three, Suncor Energy shares will likely be the most volatile and unpredictable.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:ENB (Enbridge Inc.)
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