Combat Rising Interest Rates With These 3 High-Growth Dividend Stocks

Description

As interest rates are on the rise, so too are borrowing costs and many expenses that can hinder a company's growth. One of the detriments in Canada for rising interest rates is an appreciating Canadian dollar, which makes Canadian products more expensive and also means less money for Canadian companies that sell in U.S. dollars. There can be a lot of fallout from rising interest rates, and it's normally not a linear relationship; oftentimes, it can be difficult to predict the full impact.

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The last time interest rates were increased, the Canadian dollar was trading close to par with the U.S. dollar, so it would be difficult to assume the effects that happened last time will happen again, because circumstances are different and there are many variables to account for.

The one thing you can do to combat rising interest rates is to put your money in stable companies that pay strong and growing dividends. Investing in these stocks will help offset the long-term impact that rising interest rates will have on your overall returns, such as rising costs and reduced profitability.

The three companies I have listed here are all strong players in their respective industries and have a great track records of paying and increasing dividends.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is at the top of my list, and being a bank, it may be one of the companies that stands to benefit from rising interest rates. A rise in rates for a bank means higher margins that can be taken off the top and more revenue for the bank. However, that is just one reason to invest in the company; the other is its amazing dividend.

CIBC pays out $1.27 per share, per quarter for a total of $5.08 a year, or about 4.6% of its current stock price. More importantly, the stock regularly sees dividend increases that occur sometimes, even on a quarterly basis. In four years, the dividend has increased by 35% for a compounded annual growth rate of 7.8%.

Telus Corporation (TSX:T)(NYSE:TU) is a giant in the telecom industry and one that has shown significant growth over the years.

Currently, the company pays a dividend of $0.4925 quarterly for a total annual dividend of $1.97, yielding a return of over 4.2%. Telus has grown its stock at a stronger rate than CIBC; its dividend has increased by 45% in four years, amounting to annual growth rate of just under 10%. If the company maintained that level of growth, it would take less than eight years for the dividend to double.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is perhaps the riskiest stock here simply because it is in oil and gas. However, the company's recent financials prove that it is able to be profitable and succeed without a high price of oil.

Enbridge pays a quarterly dividend of $0.61 for a total yield of over 4.6% a year. Of the three companies listed here, Enbridge has shown the highest dividend growth over the past four years. From $0.315 a quarter four years ago to now paying $0.61, the dividend has grown by a whopping 93%, amounting to an average growth rate of 18%.

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Date
2025/07/03
Date Created
2017/08/09
Author
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