2 Attractive Dividend Stocks That Could Double Your Investment

Description

Investing in reliable companies with stable dividend histories comes with many rewards. I've seen people steadily growing their wealth with this simple strategy. But this investing style is for those investors who have a long-term horizon.

If you're starting to build your retirement portfolio, or you have some extra cash to invest in the market, then start looking for businesses that offer attractive dividend yields.

But finding high dividend yields isn't the only filter you should run as you construct your dividend portfolio with an aim to double your investment.

First, you should take out those companies that have dividend-payout ratios that are alarmingly on the higher side. You'll be rightly questioning the future stability of those dividends if the earnings fall.

I usually tell investors to stay away from those companies where dividend-payout ratio is above 60% of their free cash flows, unless they're real estate investment trusts, or partnerships whose structure allows for the maximum distribution.

Second, you should only invest in companies that have long dividend-growth histories. This will help you find the best dividend payers who've survived many bad business cycles.

In Canada, there are many stocks that pay stable dividends and fulfill these metrics. Here are a couple of stocks to get you started as you build your high-growth portfolio.

Enbridge Inc.

Investors who had invested in the shares of **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) a decade ago have multiplied their money about three times on total-return basis. The largest pipeline operator in North America has a consistent track record of delivering annual dividend increases, with over 64 years of dividend-payment history.

In January this year, Enbridge announced a 10% increase to its dividend per share, which translates to

$2.33 a share on an annualized basis. This increase represents the 22nd consecutive year of increased dividends for the company. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.2%.

As you consider making Enbridge a part of your portfolio, you should analyze if this dividend growth has come at the expense of its financial strength. On an adjusted cash flow from operations basis, Enbridge's target dividend payout is between 50% and 60%, which is a healthy coverage ratio.

With a dividend yield of 4.9% and a recent pullback in its stock price, I think it's a good time to add Enbridge to your dividend-growth portfolio and benefit from the company's planned 10-12% annual growth in the dividend through 2024.

First National Financial

First National Financial Corp. (TSX:FN) isn't a well-known mortgage provider, but the lender is one of the best managed alternate lenders for those who can't get home financing from regular banks.

Since its IPO in 2006, First National has been maintaining its reputation as a high-yielding, dividend-paying company as it generates sufficient income and cash flow from its mortgages. It has raised its monthly dividend eight times since the IPO.

First National stock's current underperformance is a reflection of the ongoing concerns about the health of Canadian housing market, especially after the near-collapse of **Home Capital Group Inc**. this spring.

But its 7.3% dividend yield makes this stock an attractive investment for long-term investors. Its dividend isn't under a threat if you look at its safe payout ratio of about 43%.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:FN (First National Financial Corporation)

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