TFSA Investors: 2 Growing Dividend Stocks With Payouts in U.S. Dollars

Description

Stocks that pay growing dividends offer a great way for investors to accumulate increasing dividends over the years by simply buying and holding an investment. Just like interest, dividend growth has a compounding effect and builds on previous rate hikes.

You can also buy dividend stocks that have payouts in U.S. dollars. If you believe that the U.S. dollar will appreciate relative to the Canadian dollar, then you would expect that appreciation to effectively multiple your payouts by benefiting from a foreign exchange gain as well as a growing dividend. However, if you're wrong, then the dividends will be eroded by the currency fluctuations.

The two stocks listed below have growing dividends that are paid in U.S. dollars.

Agrium Inc. (TSX:AGU)(NYSE:AGU) currently pays its shareholders a dividend of 3.2% per year in quarterly installments. The agriculture products and services retailer's current payouts are US$0.875, up from US$0.50 five years ago for an increase of 75% and a compounded annual growth rate (CAGR) of 11.8%. If the company were to continue at this pace, then it would take just six years for the dividend to double.

However, investors should note that although Agrium has grown its dividend over the past five years, the company has not had a dividend increase in more than two years. This suggests that the company may be overdue for an increase, but it also underscores why you shouldn't assume that a growing dividend is a given and won't run into hiccups along the way.

When Agrium entered an agreement to merge with **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) in late 2016, one of the terms of the agreement was that neither company can increase its dividend before the completion of the transaction.

Assuming the merger goes through, that could present another wrinkle in the dividend and how it will be paid out, including whether it will stay in U.S. dollars and if its rate of increase will change. However, with two large dividend-issuing companies joining forces, investors should be more excited than anxious about the possibilities.

Domtar Corp. (TSX:UFS)(NYSE:UFS) pays a slightly higher dividend of 3.7% and quarterly payments of US$0.415 have grown more than 50% in the past four years for a CAGR of 10.8%. Although the company has a slightly lower CAGR than Agrium, it would take Domtar a little less than seven years to double its dividend at this rate of increase.

Unlike Agrium, Domtar has increased its dividend in each of the previous four years; however, the company has yet to do so in 2017. The manufacturer of fibre-based products has seen its share price rise 13% in just the last three months, and the stock presents a stable option to investors with sales of over $5 billion in each of the last 10 years. During the past decade, the company just once posted a net loss, while seeing positive free cash flow in each one of those years.

Domtar also serves more than 50 countries around the globe and offers investors a diverse investment that isn't dependent on a single economy. A strong consistency in its top line coupled with a lot of diversification make Domtar an ideal long-term investment.

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