4 Top Dividend Stocks for 2018

Description

If you are looking for stocks that pay a high dividend that is raised regularly, there are some good ones in the financial sector. Financial companies pay dividends that are safe and sustainable, and they raise them regularly because they have the capacity to do so.

To see if a dividend is sustainable, you can look at the dividend cover, which is the ratio of earnings per share divided by the dividend per share. A ratio of at least two is viewed as healthy. You are thus ensured that you will receive a reliable income, which is important if you are a retiree that needs to live off your investments. You can also reinvest the dividends that you receive and buy more shares.

I present four solid stocks in the financial sector that have dividend yields over 3%.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF)

Sun Life is one of Canada's largest insurance companies. This insurance company pays a quarterly dividend of $0.455 per share, which gives a yield of 3.5% at the current price.

The dividend paid has been increasing fast during the past three years, with a three-year compound growth rate of 8.12%. The last raise occurred in November, when the dividend was raised by 4.6%. Sun Life's third-quarter earnings beat earnings forecasts, helped by strong growth in Asia.

Given earnings per share of $4.34 and an annual dividend of $1.82, the dividend cover is 2.38, making it sustainable.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is Canada's fifth-largest bank. This bank pays a quarterly dividend of $0.63 per share, which gives a yield of 4.2% at the current price.

CIBC has been raising its dividend steadily for many years, and it has a three-year dividend compound growth rate of 8.07%. The last raise occurred in August last year, when the dividend was raised by 2.4%. CIBC's profit rose by 25% in the fourth quarter, driven by strong performance in its U.S.

operations following the acquisition of PrivateBancorp.

Given earnings per share of $11.24 and an annual dividend of $5.20, the dividend cover is 2.16, so it's safe.

National Bank of Canada (TSX:NA)

National Bank of Canada is the sixth-largest bank in Canada. This bank pays a quarterly dividend of $0.60 per share, which gives a yield of 3.77% at the current price.

The bank is raising its dividend twice a year. The three-year compound growth rate of dividends is 6.27%. The last raise occurred in December, when the dividend was raised by 3.45%. National Bank reported a strong fourth quarter, as efficiency efforts are paying off.

Given earnings per share of $5.38 and an annual dividend of $2.40, the dividend cover is 2.24, so the dividend is well covered by earnings.

Genworth MI Canada Inc. (TSX:MIC)

Genworth is the largest private residential mortgage insurer in Canada. This company pays a quarterly dividend of $0.47 per share, which gives a yield of 4.47% at the current price.

Genworth is raising its dividend once a year. The three-year compound growth rate of dividends is 6.42%. The last raise occurred in November, when the dividend was raised by 6.8% following a solid third quarter.

Given earnings per share of $5.83 and an annual dividend of $1.88, the dividend cover is 3.1, which is high and means that the dividend is very safe given the current earnings.

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)
4. TSX:SLF (Sun Life Financial Inc.)

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