3 Top Dividend-Growth Stocks to Buy in January

Description

For income investors, it makes sense to look out for top dividend-growth stocks. The companies, which grow their payouts regularly, send a very strong signal to investors about the stability and growth of their businesses.

A growing dividend is a strong indicator of the health of a company. Companies usually grow their dividends when they have predictable earning streams, manageable debt levels, and increasing free cash flow. Here are my top three dividend-growth stocks you could consider buying in January.

Bank of Nova Scotia

Canadian banks are very reliable dividend payers. They not only have regular payouts, but they also grow them over time. The main factor behind this stability is their dominant position in the local market and their aggressive strategies to expand globally.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stands out when it comes to paying a stable and growing dividend to its investors.

With a dividend yield of 3.8%, Bank of Nova Scotia pays $0.79 a share quarterly. You can count on Bank of Nova Scotia for a regular income stream for many years. The lender has paid dividends every year since 1832. It has hiked its payouts in 43 of the last 45 years — one of the most consistent records for dividend growth among major Canadian corporations.

Last year, investors got two dividend hikes from this lender, growing its payout about 7%. I expect a similar growth to continue in 2018, and that should be more than enough to beat the inflation.

Telus

Canadian telecom operators provide another avenue to earn stable and growing dividends. Canada has a very protective telecom market where the top four players control about 80% of the broadband and video market and more than 90% of the wireless market.

Among them, **Telus Corporation** (TSX:T)(NYSE:TU) offers an attractive opportunity to earn dividend income and benefit from the company's growth potential. With growing wireless penetration and a robust immigration flow, Telus has a solid ground to grow its subscribers.

With a dividend yield of 4.1%, Telus has raised its dividend payout twice in 2017, taking total dividends to $1.97 a share — up 7.1% from $1.84 in 2016. Telus is aiming to increase its dividend with an annualized rate of 7-10% a year through 2019.

During the past five years, the stock returned 45% in total returns, including dividends and capital gains. I think this stock is a good pick for 2018 for investors seeking growing and stable income.

TransCanada

TransCanada Corporation (TSX:TRP)(NYSE:TRP) runs a very profitable business of natural gas and liquids pipelines, power generation, and gas-storage facilities. This company provides a good option to investors who want some exposure to the energy sector, which is crucial to the Canadian economy.

TransCanada operates businesses that produce hefty cash flows and aren't too dependent on the cyclical nature of energy markets. It has increased its dividend payout for 17 consecutive years — a track record that is tough to match.

With oil prices showing strength in 2018, TransCanada shares are well on course to deliver even more attractive capital gains.

The company is undertaking $24 billion of near-term growth projects, which management says will support annual dividend growth at the upper end of 8-10% through 2020. With an annual dividend yield of 4.18%, TransCanada pays a $0.48 quarterly dividend.

The bottom line

Buying solid dividend-growth stocks should be a top priority for income investors in 2018. Growing your investment with dividends is a tested way to build your wealth.

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