A Dividend Stock That Could Give You a 10% Pay Raise Each Year

Description

Investing in stocks that raise their dividends regularly is one of the best ways to build your wealth. This strategy requires patience and a long-term mindset that many investors find difficult to maintain.

But if you have these two qualities and you think you're ready to get on to a long saving journey, then you should start picking companies that hike their dividends regularly. In today's work environment, when many employers are phasing out pension plans, and returns from GICs, saving accounts, and government bonds are close to nothing, adopting this investment strategy makes a lot of sense.

A portfolio of dividend-growth stocks can provide safe retirement income that should keep up with inflation. Rewarding investors on a sustained basis also tells us a lot about the management's long-term philosophy. These are the companies that care about their reputations and want loyal investors. Here is a Canadian company that has a lot of potential to return cash to its investors through dividend hikes.

Algonquin Power

Algonquin Power and Utilities Corp. (TSX:AQN)(NYSE:AQN) is a diversified generation, transmission, and distribution utility. Through its two business groups, the company provides rate-regulated natural gas, water, and electricity services to over 700,000 customers in the U.S.

Algonquin also runs a clean-energy unit; it has a portfolio of long-term contracted wind, solar, and hydroelectric generating facilities, managing more than 1,250 MW of installed capacity. It generates about 70% of earnings from regulated utilities and 30% from contracted renewable power.

Over the past few years, Algonquin has grown through a very smart acquisition strategy, in which it's bought some high-quality assets from larger U.S. utilities through its wholly owned subsidiary, **Liberty Utilities**.

In Algonquin's biggest acquisition so far, the company acquired Empire District Electric Co., a regulated electric, gas, and water utility with about 200,000 customers for US$2.4 billion early last year. In November, Algonquin announced its first deal outside North America, forming a joint venture with Spain's Abengoa SA to develop renewable energy and water infrastructure assets globally.

For the fourth quarter, Algonquin beat analysts' expectations. Its U.S. utilities segment benefited from strong demand for natural gas, while its North American power operations were helped by higher-than-expected wind generation. Algonquin's adjusted earnings per share surged 30% last year, showing investors that its organic growth strategy has started to pay off.

The bottom line

This momentum in the company's business suggests that Algonquin won't face problems materializing its planned 10% dividend hikes each year for the next five years. Trading at $13.03 a share after shedding ~7% of its value this year, Algonquin stock offers a good entry point to long-term investors who want to lock in its juicy 4.7% dividend yield.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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