

3 Top Dividend Stocks for Your Income Portfolio

Description

Are you looking to build the ultimate income portfolio? If the answer is yes, you'll want to construct a portfolio of predictable and growing cash flows.

Although high yields may be attractive, you don't want to fall into dividend traps. Instead, stick with high quality, reliable dividend stalwarts.

One of the best places to start is the Canadian Dividend Aristocrats list, which lists companies that have raised dividends for five or more years consecutively. Next, you'll want to target companies whose dividends are well covered by cash flows.

Finally, you'll want consistent financial performance through historical sales and income growth. Here are three top dividend stocks that meet all of these criteria and more!

Canada's top bank

You can't create a list of income stocks without including one of Canada's banks. They are the backbone of the TSX. My favourite is **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

The company has the lowest payout ratio among Canada's Big Five banks. Thus, it's not surprising that its recent dividend growth has outpaced that of its peers. In the first quarter, TD raised its dividends by 11.7%, which was double that of the other banks.

The company has grown revenues and income year-over-year without missing a beat. Its only year of declining income came in 2009 during the financial crisis.

Canada's top utility

Utilities are some of the most reliable dividend payers on the market. Three of the top four dividend growth streaks in Canada belong to utility companies. One of which, **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is my pick in the sector.

Fortis has raised dividends for 44 consecutive years, one of only two companies with streaks of over 40 years. The company recently extended its dividend guidance for 6% annual growth through 2022.

The company's growth has been spurred by some major acquisitions south of the border. Over the past five years, the company doubled in size with three major U.S. acquisitions.

The company has an average annualized total shareholder return of approximately 9%, thereby handily outpacing both the TSX (4.7%) and the **S&P/TSX Capped Utilities Index** (5.6%).

Consistency and reliability. What's not to like?

Canada's top pipeline

You must have known that this list wouldn't be complete without an energy company. I prefer **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) above all others.

Pembina has an impeccable record of project completion. Since 2013, four of its 13 major infrastructure projects were delivered within budget and nine came in under budget.

In an industry plagued by delays and budget overruns, I'll put my money on this type of performance any day!

The company's dividend is well covered by adjusted cash flows. Its 5.6% dividend raise announced in early May was its third raise in the past 13 months. The company aims to pay out 100% of distributed cash flows, which is estimated to be 90% in 2018.

What does this mean? More dividend growth!

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:FTS (Fortis Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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