2 Top Dividend Growth Stocks to Buy Now

Description

When it comes to safety and growth of your capital, Canada's banks and telecom utilities take the top position in the list of dividend-paying companies.

Let's talk about Canadian lenders first. The nation's five top banks have been solid investments for long-term investors. They have outperformed their global peers through many recessions and financial crises on the back of their solid position in Canada and increasing global presence.

For telecom utilities, the story isn't much different. The top three operators in Canada control the majority of the wireless market in an environment where competition is limited and demand for telecom services is growing.

For investors whose aim is to earn growing dividends, these two sectors of the economy fit the bill. Among the top lenders and telecom operators, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and Telus Corporation (TSX:T)(NYSE:TU), are my two favourite picks. Let's take a deeper look.

TD Bank

TD is among the top five Canadian lenders. The bank has pursued an aggressive growth strategy in the U.S., which has provided depth and diversification to its operations at a time when the local market is increasingly showing signs of saturation. The bank now runs more branches in the U.S. than in Canada, making it one of the top 10 lenders in the U.S.

One of the key strengths of TD Bank comes from its rock-solid dividend. This dividend has grown about 11% on annualized basis in the past two decades, putting the lender among the top dividend payers in Canada. And with a relatively safe payout ratio of between 40% and 50%, there is a good chance that investors will continue to receive this growth going forward.

Its stock currently yields 3.52% after a 17% jump in its value in the past 12 months, thereby outperforming many of its peers and the benchmark stock index.

The bank targets to grow its $2.68-a-share annual payout between 7% and 10% each year going forward, as it benefits from diversified business operations thanks to its aggressive growth in the U.S.

Telus

Telus, on the other hand, is on a similar growth trajectory after spending heavily to improve its telecom infrastructure and positioning itself to grab the major share of Canada's growing wireless market. In the most recent quarter, Telus added 48,000 new wireless subscribers, more than the 35,000 analysts had predicted.

During the past five years, Telus has delivered 45% return to its investors, almost double the gains provided by its close rival, **BCE Inc**.

Telus, with a current dividend yield of 4.5%, has grown its dividend by 10.3% during the past five years. With most of its infrastructure investments completed, Telus is in a much better position to grow its dividends going forward when compared to other operators.

Telus is targeting 7-10% growth in its $2.10-a-share annual payout each year. Given the company's ability to generate more cash through its growing customer base throughout Canada, this target doesn't seem too ambitious.

The bottom line

Canadian banks and telecom operators provide a great avenue to earn stable dividend income. You should consider both TD and Telus if you're planning on building your income portfolio with the aim of remaining invested for the next 5 to 10 years.

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