3 Canadian “Cash Cow” Dividend Stocks to Buy Now

Description

One popular investment strategy that income investors follow is to buy stocks that belong to mature industries and that don’t attract too much competition.

Such businesses usually command dominant positions in their markets, operate in oligopolies, or offer product and services that dominate our daily lives. I’m talking about insurance companies, banks, telecom operators, and transportation giants.

Companies from these sectors of our economy have millions of customers, who, once signed up, find it very tough to switch. Recall how many times you have changed your bank, telecom carrier, or insurance company? We may hate their hefty bills when they arrive in our mailbox, but we can’t operate without their services.

Income investors, however, love to own these “cash cow” stocks which pay growing dividends. You are unlikely to find too much capital growth in these stocks, but these are low-risk investments to slowly multiply your wealth.

Three “cash cow” dividend stocks

Here in Canada, **BCE Inc.** (TSX:BCE)(NYSE:BCE) is one of my favourite cash cow dividend stocks. Yielding 5.63%, BCE has proved a reliable company for income investors due to its dominant position in the Canadian telecom market.

Last year, BCE disturbed 84% of its free cash flows to investors in the form of dividends. During the past 10 years, BCE’s dividend payout has doubled to $3.02 a share, as the company adds more wireless customers and builds a telecom infrastructure that’s crucial for the Canadian economy.

In the financial space, large insurance stocks offer another great avenue to earn growing income. **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF), for example, is a good pick from Canada with a strong presence in Asia.

Sun Life is also benefiting from its strong presence in the U.S., where the robust job market is helping the company to win more employee benefits business. The company recently raised the quarterly dividend to $0.455 per share with an annual dividend yield of 3.67%.

Canadian National Railway (TSX:CNR)(NYSE:CNI) is another great cash cow stock due to its unparalleled position in North America’s transportation sector. The company runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

This strong position has allowed CNR to pay uninterrupted dividends ever since going public in the late 1990s. With a five-year CAGR of 14%, CNR’s dividend is stable and large enough to beat inflation and preserve the value of your investment.

The bottom line

If you’re in the market to preserve your capital and earn a stable income stream, buying cash cow dividend stocks is a good idea. In this low-risk approach, you should pick stocks that are the leaders in their industries with large barriers to entry.

CATEGORY

1. Dividend Stocks
2. Investing

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