3 Dividend Stocks I Would Buy Right Now

Description

Dividend stocks are an important part of an investor's portfolio, especially as we approach retirement.

Here I present three dividend stocks that have the benefit of strong dividends coupled with the strong potential for capital appreciation.

Industrial Alliance Insurance and Financial Services (TSX:IAG)

Trading below long-term averages, and with a current dividend yield of 3.11%, Industrial Alliance pays investors to wait for the stock to appreciate from its undervalued levels.

Strong cash flow growth, a P/E ratio of well below its peer group (10 times compared to mid-teens), and a strong ROE all lead to a compelling case for upside revaluation of the stock.

And with a primary focus on the Canadian market, Industrial Alliance stands to gain the most of its peer group from rising interest rates. The company has disclosed that a 10-basis-point increase in interest rates will impact net income by $15 million.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

The stock has risen just over 20% in the last year and shows no signs of stopping, with efficiency gains and higher interest rates driving strong results in the first half of 2018.

TD's divided yield is currently a healthy 3.43%, and the bank has stated that it will increase the dividend once a year, signifying its confidence in the business. In the first quarter of 2018, the dividend was increased by $0.07 per share, or 12%, to $0.67 per share.

Going forward, TD will continue to benefit from rising interest rates.

According to management, a 25-basis-point increase in interest rates increases the bank's net interest income by approximately $150 million.

Tricon Group (TSX:TCN)

Tricon currently has a dividend yield of 2.37%, and while the stock was languishing for a while, it has recently picked up momentum, as the company has been posting results that have been significantly better than expectations.

Tricon has a good track record of growing the business and taking advantage of the opportunity in the U.S. real estate market by aggressively buying at distressed levels back in the 2008 housing crisis.

Tricon has been focused on the higher-growth regions in the U.S., the "Sun Belt," which includes southern California, Texas, Alabama, Georgia, and Florida. This region has been seeing faster employment growth and faster population growth than the national average, and this is expected to continue.

Occupancy rates now stand at over 95%, up from the low 90s a few years ago. As such, Tricon continues to be a very attractive way to play the gradual recovery in U.S. housing.

Lastly, Tricon is focusing on the right metrics, with a target IRR of 15-20% for its investments.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:TCN (Tricon Residential Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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Date
2025/08/24
Date Created
2018/08/18
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