3 Dividend Stocks With Red-Hot Dividend Growth

Description

When it comes to income investing, many people make the mistake of only looking at the yield. It's true that a consistently high yield is the goal. But what if management cuts or reduces the dividend? If that happens, the dividend stock you buy today may no longer be a dividend stock tomorrow.

So, when investing in dividend stocks, it pays to look at the company's dividend history. Specifically, you want to see that the management has a consistent history of *raising* the dividend. With enough dividend increases over a number of years, you could find yourself getting 10% or more annually — in dividends alone!

In this article, I'm going to take a look at three stocks that not only have high yields, but also fantastic dividend growth. I'll start by looking at one of Canada's best-known companies.

BCE (TSX:BCE)(NYSE:BCE)

BCE is the parent company of Bell Canada. It also owns CTV and other communications assets. BCE pays a quarterly dividend of $0.755 per share (that works out to $3.02 annually and a yield of 5.63%). The high yield is enticing in itself. But based on its history, it may go even higher. BCE management has a long-term track record of raising the stock's dividend. From 2017 to 2018, it increased by about 5%. And it has been going up consistently over the past decade.

It's also worth noting that BCE's dividend has never been cut: even during the 2008-2009 financial crisis, management simply kept it flat rather than axing it.

Canadian Utilities (TSX:CU)

Canadian Utilities is a diversified corporation involved in power generation, utilities, and logistics services. Like many utility companies, it has an excellent dividend history: over the past five years, the dividend has consistently increased at a rate of about 5-7% a year. And with a yield of 4.98% at the time of this writing, the income is already substantial.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is another utility company. Based in Newfoundland and Labrador, it has assets in Canada, the United States, and the Caribbean. Fortis hasn't been having the best year this year; earnings are down 6% year over year and the stock is down 7%. Nevertheless, Fortis is still one of Canada's best dividend stocks purely from an income perspective. The yield is about 4%, which is not bad in itself, but what really makes Fortis shine is its history of dividend growth. Since 2016, the dividend has increased from $0.37 to $0.43. That's growth of about 8% a year. Fortis management has a very long history of raising the dividend, so more increases can be expected in the future.

Bottom line

When investing in dividend stocks, many people make the mistake of only looking at the yield. But as the stocks in this article show, dividends can increase over time. And indeed, they can also decrease or be cut entirely. So, when investing in dividend stocks, always take a look at the dividend history. You may be surprised at what you find.

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