Young Investors: 3 Top Canadian Dividend Stocks to Buy Now and Own to Retirement

Description

Planning for the golden years might not be top of mind for many people who are beginning their careers.

It makes sense, as school debt has to be paid and any extra money might be set aside for a future house. In addition, family expenses could be on the radar, and let's face it, very few of us want to spend time pondering the prospect of 30-40 years of the daily grind before we get to put our feet up.

However, the data is pretty clear when it comes to the advantages of getting a head start on retirement investing, and owning top-quality dividend stocks can have a big impact on how long you actually have to work.

The secret lies in the power of compounding. When investors hold their stocks inside a TFSA or RRSP the full value of the dividends can be invested in new shares. Over the course of a few decades, the process can turn small initial investments into impressive sums.

Let's take a look at three high-quality Canadian stocks that might be interesting picks.

Telus (TSX:T)(NYSE:TU)

Telus is a major player in the Canadian communications industry with world-class wireless and wireline networks serving customers across the country.

The company takes its customer satisfaction seriously and invests significant energy in ensuring its subscribers are happy. The effort appears to be paying off, as Telus regularly reports the lowest postpaid mobile churn rate in the industry. Enticing new customers to switch from another competitor is expensive, so the benefits can be significant when you build loyalty in this sector.

As a long-term play, investors might want to focus on the Telus Health division. The group is already Canada's leading supplier of digital solutions to the health industry and stands to benefit as technology disrupts the segment. Major corporations south of the border are already spending billions to tap the potential digital health opportunities, and Telus is a first mover in Canada.

Telus raises its dividend every year and currently provides a yield of 4.4%.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis operates utility businesses primarily located in the United States and Canada. Stuff like natural gas distribution, power generation, and electric transmission assets might not sound overly exciting, but these businesses are nearly recession proof, as everyone needs to turn on the lights, heat the house, and cook their food regardless of the state of the economy.

Fortis has increased its dividend for 44 straight years and ongoing investments should support a continuation of the trend. The current payout provides a yield of 4%.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada is a leading player in the distribution and storage of natural gas in Canada and the United States. The company also has liquids pipelines and some power-generation assets. TransCanada is working through a $21 billion near-term capital program that should boost cash flow enough to support steady dividend increases in the coming years. The company has an additional $20 billion in long-term projects under consideration.

The current dividend yield is 5%.

The bottom line

Telus, Fortis, and TransCanada pay reliable and growing dividends and hold leadership positions in their industries. An investment in all three would provide exposure to both Canada and the United States and generate solid returns on the initial position.

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