Are These Really the Top 3 Dividend Rock Stars of the TSX Index?

Description

Dividend investing has to be one of the most popular stock-picking styles out there. While this is nothing new, the stocks that pay the best and most stable dividends can come and go in and out of favour. Below you will find three of the best dividend payers on the TSX. They're just right for your TFSA or RRSP, so take a look whether you're looking for a bit of extra income to burn or trying to secure a comfortable retirement.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia, like the next stock in our list, comes pre-diversified; in this instance, this diversification is offered by a spread of operations that takes in North and Latin America, the Caribbean and Central America, as well as the Asia Pacific region.

Discounted by 9% of its future cash flow value with so-so multiples, Bank of Nova Scotia is today looking at an 8% expected annual growth in earnings over the next one to three years. A return on equity of 13% last year adds to the quality of this stock, while a meaty dividend yield of 4.38% is what we're all here for. This bank holds an acceptable percentage of non-loan assets, which is great for the risk-averse investor.

CIBC (TSX:CM)(NYSE:CM)

CIBC is a diversified financial powerhouse, servicing a range of clients in Canada and the U.S. Aside from the geographical spread, you have a diverse array of stakeholders, including individuals, small businesses, commercial and corporate operations, as well as institutional clients.

Discounted by 18% of its future cash flow value with a mixed bag of multiples, but mostly good, this go-to banking stock has a 4.2% expected annual growth in earnings ahead of it. A return on equity of 15% last year and an acceptable percentage of non-loan assets makes this a good stock, while a dividend yield of 4.37% makes it a great one.

Thomson Reuters (TSX:TRI)(NYSE:TRI)

If you like to read a lot of news, or find yourself constantly perusing what's going on in the world, then chances are you will have heard of Thomson Reuters; if not, you can be sure that at least a few of the news stories that you come across during the week have been sourced from this company.

Overvalued by several times over its future cash flow value with poor multiples, this is not a value stock. It's not a growth stock, either, with a 3.9% expected contraction in earnings on the cards. However, a return on equity of 13% last year and a dividend yield of 2.35% qualify it as a dividend rock star.

Why? Well, in particular, Thompson Reuters's dividends per share have held stable during the past 10 years, with those dividends being well covered by earnings — in fact, there's a 1.5 times coverage. The debt level of this stock is also lower than some high dividend payers: while 64.4% of net worth may seem high, it's certainly lower than many so-called dividend rock stars' debt levels.

The bottom line

As you have probably noticed, a "top dividend payer" isn't by necessity a "highest dividend payer" — and that's an old adage among passive-income investors. While the stocks listed above don't pay the highest dividends on the TSX index, you should find that they are all stable dividend payers and should be reasonably relied on to cough up. It's a diverse list, so if you happen to be low on passive income, you can consider slotting two or more into your portfolio.

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1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:TRI (Thomson Reuters)

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