3 Top Dividend-Paying Stocks Yielding +4% to Buy Today

Description

One of the easiest paths to investing success is to create a steadily growing stream of passive income by investing in high-quality dividend-paying stocks. Those companies that have a long history of paying sustainable, regularly increasing dividends typically possess sturdy, mature businesses, wide economic moats, considerable growth prospects, and solid defensive attributes.

Let's take a closer look at three top dividend-paying stocks that belong in every investors' portfolio.

Pembina Pipeline (TSX:PPL)(NYSE:PBA)

Pembina is a leading infrastructure and midstream services provider to the energy patch. Pembina forms a vital link between Western Canada and the east coast as well as U.S. energy markets. It has hiked its dividend for the last seven years straight, giving it a tasty yield of 4.5%, and there is every sign that those regular increases will continue.

A combination of the inelastic demand for energy, existing transportation constraints, and growing hydrocarbon production in Western Canada all point to growing demand for the utilization of Pembina's diverse portfolio of energy infrastructure assets. This in combination with 64% of Pembina's revenue coming from inflation-indexed take-or-pay contracts virtually guarantees its earnings.

When the shortage of energy infrastructure in Canada is considered along with growing hydrocarbon production and Pembina's $5.5 billion portfolio of projects under development, which are expected to be commissioned between now and 2023, then its earnings will continue to grow. For 2019 alone, Pembina is forecasting that adjusted EBITDA will expand by up to 5% year over year to $3 billion.

Those characteristics will not only support the existing dividend payment but allow Pembina to make further dividend hikes, allowing it to maintain that juicy yield.

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP)

The globally diversified clean-energy company has boosted its distribution every year since 2010, endowing it with a very attractive yield of 6.5%. Some pundits claim that Brookfield Renewable's distribution is unsustainable, but the unchanging demand for electricity combined with inflation-linked contracted earnings, steep barriers to entry for electric utilities, and a wide moat essentially assure earnings.

Furthermore, many of the economies where Brookfield Renewable's operates — notably, Colombia, Brazil, and the U.S. — continue to expand at a respectable clip. The economies of Colombia and Brazil, which are responsible for 15% and 20% of Brookfield Renewable's electricity output, respectively, are returning to growth, which will drive greater energy consumption.

A similar event is occurring in the U.S., where the partnership's assets are responsible for 35% of its electricity output. The IMF anticipates that 2019 U.S. GDP will expand by 2.3%, sparking greater demand for electricity. This is because there is a recognized correlation between GDP growth and greater demand for electricity, which will lead to higher prices. Brookfield Renewable also has several facilities under development, which, on commissioning, will increase its installed capacity and the hence the volume of electricity it can generate.

This supports additional earnings growth, which will reduce the distribution's payout ratio of 91% of funds from operations for 2018 to a more sustainable level.

Brookfield Renewable, in collaboration with its partners, made a $750 million investment in electric utility **TransAlta**. This strategic investment enhances its growth prospects and boosts Brookfield Renewable's share of the North American electricity market. TransAlta intends to use that capital to progress its transition from coal-fired to gas-fired power plants and reduce debt.

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

Banking has steep barriers to entry, including significant regulatory and capital requirements, which typically keep all but the most determined entrants from what is a mature industry. This, combined with Scotiabank's established brand and expansion into Latin America, where it is now a top-10 ranked bank in Mexico, Colombia, Chile, and Peru, provides it with a wide economic moat.

Steadily growing earnings have allowed Scotiabank to hike its dividend for the last eight years straight, giving it a tasty 4.8% yield. A dividend-payout ratio of around 50% when combined with stronger growth from its Latin American operations indicates that the dividend is not only sustainable, but there are further increases on the horizon.

Scotiabank's operations in Chile, Colombia, and Peru performed strongly in 2018 reporting a healthy 17% year-over-year increase in adjusted net income. That growth will continue into 2019 and 2020 with all three economies expected to expand at a solid clip. For 2019, the IMF predicts that Chile's GDP will grow by 3.4%, while Colombia's will expand by 3.5% and Peru by a notable 3.9%. That in combination with those nations being underbanked will act as a powerful driver of earnings growth and help to offset the headwinds Scotiabank is facing in Canada.

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1. Dividend Stocks
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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. NYSE:PPL (PPL)
5. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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