



## 3 Dividend Stocks to Buy This Summer

### Description

No matter your age, dividend stocks can be a perfect investment.

Given they provide a regular stream of cash-based income, they're ideal for retirees. They're also a fit for younger investors, as you can reinvest this newfound cash into additional investments — a great advantage when prices are low.

The trick, however, is to identify dividend stocks that can deliver a consistent payout regardless of market conditions. This is a rare trait and requires careful research and due diligence.

Fortunately, we've collected three stocks with promising dividend futures. Each of these stocks can weather extreme market volatility thanks to their business models and high cash flows.

## Beer is recession proof

**Molson Coors Canada Inc.** ([TSX:TPX.B](#)) stock is bulletproof.

During the 2008 and 2009 global collapse, shares barely budged. When accounting for dividends, many Molson investors emerged from the crisis with a small profit.

"Generally speaking, the demand for beer is inelastic, meaning that people are going to continue to consume it almost regardless of what is happening in the economy and labour markets," Fool contributor Jason Phillips wrote last year. "You could even make the case that some people will consume more beer when times are hard!"

The data backs up these claims. From year to year, Molson's volumes are hardly impacted by economic swings.

Today, the stock pays a respectable 2.8% dividend. That's not the biggest yield on the market, but it is one of the safest.

## Safe as sugar

**Rogers Sugar Inc** ([TSX:RSI](#)) is another bulletproof stock. It's been paying a consistent dividend for nearly a decade. Today, the yield is up to 6.1%.

If you're patient, the payout could expand over the next few years.

Historically, the company was structured as an income vehicle that delivered the profits of commoditized sugar sales to investors. Over the last several years, however, management has repositioned the business to target higher-margin opportunities.

In 2017 and 2018, Rogers Sugar acquired several companies, including a maple sugar operation. These businesses still align well with its historical approach while offering more value-add products. For example, the company now sells coconut sugar, sweetener blends, maple flakes, jam mixes, agave syrup, and iced tea packs.

It's still a simple business based on sugary products, but the new lineup should help sustain the dividend for years to come.

Free cash flow over the last year was around \$42 million, of which \$4 million was used to repurchase stock. The remainder fully covered the dividend payment.

## It's all about cash

Even volatile businesses can produce reliable dividends. This pick has a bit more risk than the stocks listed above, but the upside could be much higher.

Meet **Encana Corp** (TSX:ECA)(NYSE:ECA).

The company has had a wild ride. Over the past five years, the share price has ranged between \$4 and \$25. It appears that management has finally turned its attention to shareholder value, however.

Already this year, Encana is realizing meaningful reductions in both drilling and corporate costs. Redirecting capital to its most promising assets should help the company post positive free cash flow this year, helping fund a \$1.25 billion share buyback program as well as a 25% dividend increase announced in the first quarter.

Since starting the buyback program in March, the company has spent \$1 billion purchasing nearly 150 million shares. It plans on spending more than \$200 million on buybacks in July.

Once these repurchases are complete, the company should redirect cash flow towards growing the dividend. Buybacks were likely the best use of shareholder capital, but if the company used the money for dividends instead, the annual yield would be well in excess of 10%.

As long as oil prices play along, Encana could evolve into the ideal dividend growth stock.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## **TICKERS GLOBAL**

1. TSX:RSI (Rogers Sugar Inc.)
2. TSX:TPX.B (Molson Coors Canada Inc.)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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