



Reduce Your Portfolio's Volatility With These 2 Top Dividend Stocks

Description

Have you noticed your portfolio has been a lot more volatile lately? After years of appreciation, investors with a lot of growth stocks may have noticed an increase in the volatility of their portfolio, which may have made you want to add some stability.

Investors can have exposure to riskier stocks, especially young investors with a long-time horizon. However, it's important to have a core part of your portfolio in stable companies regardless of your age and investing time horizon.

Having a core portion of your portfolio in less volatile stocks is paramount to long-term success so that the stable portion of your portfolio will preserve your wealth through the worst economic and market environments.

When looking for strong stocks pipeline and utility stocks are a good place to start. These companies have a large portion of their revenues tied to stable long-term contracts. With prudent management, these contracts can fund most or all of the dividend.

Two top stocks to add stability to your portfolio are **Emera Inc** ([TSX:EMA](#)) and **TC Energy Corp** ([TSX:TRP](#)).

Emera

Emera is a great stock to stabilize a portfolio for a number of reasons. First and foremost, it operates in highly regulated environments — which is usually a good thing.

For companies operating in regulated environments, it's possible to have the business negatively impacted by a certain government's change in regulations.

There's no reason to worry however, as Emera has insulated itself from this possibility by having a number of operations in many different regulatory environments. The vast diversification of its operating environments brings down the risk in its portfolio in more ways than one.

In addition, the regulatory businesses are great for companies to drive continued growth, as an increase in rate base will directly increase revenue.

Furthermore, Emera has been completing asset sales lately, giving it some much-needed liquidity and bringing down the company's leverage ratios.

This makes it the perfect candidate for investors looking for [stability](#) in their portfolio. It also pays a dividend that currently yields more than 4% and should provide increases in the future.

TC Energy

TC Energy is an energy infrastructure company that operates in Canada, Mexico and the United States. It's been focused on diversifying its business recently, gaining more exposure to Mexican and American assets.

This has helped the company to mitigate its risk to the dismal Canadian energy sector, and add some stability to its growth.

TC energy is another great stock to stabilize your portfolio. It pays a dividend that is yielding more than 4.5%.

The dividend has paid out \$2.82 the last 12 months, while the company earned \$4.18 per share in the same period, giving it a payout ratio of just 67%, which implies a stable dividend.

Despite the ongoing massive capital expenditures, the dividend remains safe, offering investors a nice return to hold a stock that is stabilizing their portfolio for them.

Similar to TC Energy, Emera has been selling some non-essential assets in order to build its capital position for other major capital expenditures. This is a prudent move to lower its leverage, and consequently lower the risk while it builds out its growth projects.

Bottom line

Finding large companies with competitive advantages and operating in industries with high barriers to entry is always a great place for investors to look when seeking stocks that provide stability.

It's therefore essential to find companies operating in environments where the majority of revenue and earnings are fixed, as this is the most stable a company can be.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:TRP (TC Energy Corporation)

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