



The Top Canadian Dividend Stocks on the TSX Index

Description

Income investors reap the benefits of a well-balanced portfolio that yields passive income. In other words, they are focused on assets that will deliver a constant stream of cash. Although popular among retirees, income investing is becoming more mainstream. Since bonds yield little returns, the next best thing are stocks that pay a dividend.

Arguably, the most popular income investing strategy is the one centred on dividend growth. This involves investing in stocks that have a reliable history of dividend growth. For most investors of this type, companies must have achieved Canadian Dividend Aristocrat status. This means they have a dividend-growth streak of at least five consecutive years.

With that in mind, there are other facts that set investments apart. Most notably, the dividend yield and growth rate. With that in mind, here are the top Canadian dividend stocks on the TSX Index.

The longest dividend-growth streak

Typically, the longer a company's dividend-growth streak the better. The dividends of those that have raised annually for decades are considered to be much safer than those with shorter histories. Although there are always exceptions to the rules, for the most part, this is true. The longer the streak, the more committed management is to keeping it alive. Given this, there is no company more committed than **Canadian Utilities** ([TSX:CU](#)).

Canadian Utilities has the longest dividend-growth streak in Canada. At 48 years and counting, the company is on the verge of becoming the first Canadian Dividend King. Kings are companies that have raised dividends for at least 50 consecutive years. In the U.S., there are only 29 Kings, and it is the highest dividend-growth status one can achieve.

The company last raised dividends by 3% last month and currently yields 4.16%. Although you won't generate outsized capital appreciation, it is one of the safest dividends in the country.

The highest and most sustainable yield

I could have introduced the highest-yielding Aristocrat; however, I was not 100% confident that the dividend was safe. Given this, I felt it was prudent to select the one with the [highest yield](#) which is also the most sustainable.

From that perspective, the top-yielding stock is **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY). The company currently yields 7.26% and sports a seven-year growth streak. Although no yield is 100% safe, Brookfield is well positioned, despite a disappointing 0.8% distribution hike earlier this month.

The company is faced with several headwinds, but as one of the best names in the space I have confidence that management will pull through. At the heart of the issues is the company's retail segment, which is generating significantly lower cash flow.

On the bright side, it is currently focused on deleveraging post GGP acquisition, and although high, the distribution is covered by cash flow (90% of core funds from operations).

The highest dividend-growth rate

Typically, companies that have a mature dividend-growth history will have lower-than-average dividend-growth rates. On the flip side, those who are just starting out tend to have higher-than average rates. Which company has the highest dividend-growth rate? The result may surprise you.

The honour belongs to **Quebecor** ([TSX:QBR.B](#)), one of the little-known [telecommunications companies](#) trying to compete with the Big Three. Quebecor and its five-year streak only just achieved Aristocrat status in 2020.

Investors should take notice. The company has the highest three- and five-year dividend-growth rates at 66.5% and 51%, respectively. Last year, the company more than doubled the dividend from \$0.055 to \$0.1125 per share — a 104% increase.

The company only yields 1.35%, but at this rate, it will quickly become a very attractive income stock. Is the rate sustainable? Considering it has a low payout ratio of 19% based on next year's earnings, high double-digit dividend growth is certainly achievable.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:QBR.B (Quebecor Inc.)

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