2 Top Dividend Stocks to Buy in April 2020

Description

Despite a gloomy economic environment, there are top dividend stocks you can buy in April. You can enjoy safe yields of 4-6% from these solid dividend stocks and attractive long-term returns.

April's top dividend stock: Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock won't go away no matter how harsh the market gets. As a top Canadian bank, TD Bank stock has staying power.

The big Canadian bank has more than 26 million customers around the world. More than half are active digital customers.

It has more than $1.4 trillion of total assets, $900 billion of deposits, and nearly $700 billion of loans. Additionally, TD Bank has $468 billion and $424 billion, respectively, of assets under administration and management.

TD Bank also maintains a solid common equity tier one capital ratio of 11.7%, which aligns with the other big banks.

The bank is awarded an S&P credit rating of AA-, which is the highest among the Big Six Canadian banks.

At about $56 per share at writing, TD Bank stock trades at about 8.5 times earnings. This is a discount of about 28% from its long-term normal valuation.

As a result, the quality dividend stock also offers an elevated yield of close to 5.7%. Its payout ratio is estimated to be about 47% this year. Therefore, investors can expect its dividend to be safe.

April's top dividend stock: Algonquin Power

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a top dividend stock for April and through

2020.

Its profitability is relatively stable. Its regulated utility operations, across 40 utilities in 13 states and one Canadian province, serve natural gas, electricity, and water to about 804,000 customers. By the end of the year, Algonquin estimates that it could reach one million customers for this segment.

Algonquin's other business is also very stable. It's a renewable and clean power portfolio that has 2.2 GW of generating capacity. The assets consist of 48% wind, 30% in indirectly owned wind and solar, and 8% each in hydro, thermal, and solar.

This power portfolio has about 93% of the generation under power-purchase agreements with inflation escalations. The agreements are on average about 15 years. As a result, this business is pretty much just as stable and predictable as its regulated operations.

At writing, the quality dividend stock offers a nice yield of about 4.5%, thanks partly to a strong U.S. dollar. Its payout ratio is estimated to be about 47% of cash flow and 82% of earnings this year.

The Foolish bottom line

If there were two types of businesses that will survive through the coronavirus crisis, it'd be the top-quality banks and utilities. That's because they provide essential services. Moreover, they'd deliver above-average returns to shareholders with below-average risk.

TD Bank stock will eventually recover when the economy returns to normal. In the meantime, investors can enjoy a boosted dividend yield from the top Canadian bank.

Algonquin stock trades at a decent valuation for the stability, yield, and stable growth it offers.

Investors can get an average yield of 5.1% from the two stocks. Both TD stock and Algonquin are defensive names that you can count on for safe passive income and long-term returns of more than 10% per year.

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1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

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