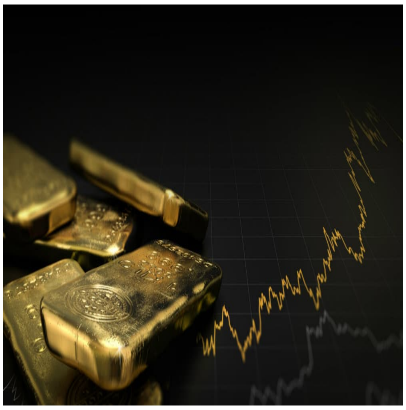

4 Top Canadian Gold Stocks to Buy for the Dividends

Description

Gold stocks have been among the strongest performers on the TSX during the market crash. The yellow metal has long been a bastion of safety. But some names have exploded during the health crisis.

A growing trend in gold dividends has enjoyed some extra exposure amid the extreme frothiness of the markets. The following four names are among the top Canadian gold stocks to buy for this type of passive income.

The top Canadian gold stocks to buy for long-term income

Barrick Gold (TSX:ABX)(NYSE:GOLD) remained positive this week, up 8.6%. It's a top name for Canadian investors, operating out of Toronto and sitting on massive gold and copper reserves.

Barrick pumped out around 5.5 million ounces of gold last year. But it's also a strong play for copper, with 430 million pounds of the stuff coming out of its mines. The top-tier miner is a play for diversification, with sites in Australia, Africa, and the Americas.

Barrick is still attractive in terms of its fundamentals. Indeed, a theme among Canadian gold stocks is their lasting affordability. A P/B of 2.2 makes for a relatively well-valued stock after a year that saw share price appreciation of 122%. Five-year total projected returns look set to continue this trend, with 127% returns possible by 2025.

Barrick's 1% dividend yield is covered by a 9% payout ratio, meaning that there is also huge potential for dividend growth.

Newmont, like Barrick, also became a mega-miner through a recent acquisition. Barrick made waves when it absorbed Rangold, while Newmont merged with Goldcorp. The latter merger briefly resulted in Newmont trading as "Newmont Goldcorp," though a recent rebranding dropped "Goldcorp" from the name. Names aside, Newmont is a strong play for returns, having gained 100% in 12 months.

Newmont has similar valuation to Barrick, with a P/B of 2.3 even after a month that saw its share price double. A 1.6% dividend yield beats that of Barrick. Newmont's payout ratio of 14% is also suitably low, making for strong dividend-growth potential.

Kirkland Lake Gold is another strong contender for a passive income portfolio in need of safety proofing. Its 1.2% dividend yield is in between Barrick's and Newmont's.

The stock also packs momentum, finishing the week positive by an average of 22%. Kirkland is a solid all-rounder, with a healthy balance sheet and positive outlook. Its payout ratio is just 6%, even lower than Barrick's.

Franco-Nevada is another member of the gold dividend stocks club, paying a 0.77% yield. However, its 54% payout ratio is the highest of the four stocks mentioned here. That is by no means a bad ratio, but it can be beaten by its competitors. Franco-Nevada is the weaker play in terms of valuation and outlook but worth a look if you're expanding your gold exposure.

The bottom line

Buying dividend stocks is advisable. However, investors should buy for the name and hold quality. Income investors should be prepared to keep holding, even if payments are reduced or suspended. Barrick has a great balance sheet, though Kirkland beats it on overall stats.

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