Retirees: Give Yourself a Raise With These 3 Safe Dividend Studs

Description

With many dividend cuts making headlines over recent weeks, retirees are beginning to understand the importance of having dividend studs in their portfolio.

While a regular dividend stock might have a history of making consistent dividend payments, it needs more than that to elevate its status. Dividend studs, meanwhile, offer solid yields today with a history of dividend growth behind them.

We also want to see relatively low payout ratios along with the kinds of businesses that can't be easily impacted by things like COVID-19, which narrows the list considerably.

Here are three top dividend studs — the types of stocks investors can count on over the long term, even if we get another pandemic.

Telus

The first of our dividend studs is a company many Canadians know well. **Telus Corporation** (TSX:T)(NYSE:TU) is one of Canada's largest telecom companies, providing phone, internet, and television services for millions of Canadians.

Telus is best-known for its wireless service, of course. It boasts one of Canada's best wireless networks, a moat that protects it from competition. Telus has also had nice success retaining its customers, offering a combination of good service and various different operating entities that cater to price-conscious consumers. If you're looking for cheaper cell phone service, Telus subsidiaries Koodo and Public Mobile can help.

Another thing investors should really like about Telus is the company's focus on telecom. Some of its competitors are into the media game, a business that offers worse margins than telecom services. Telus sticks to its core business, a tactic that should deliver superior returns going forward.

Thanks to the recent market crash, Telus shares are pretty compelling bargain. Shares trade at just over 15 times trailing earnings and offer a dividend yield of 5.1%.

Canadian Apartment REIT

Many REITs have been impacted by COVID-19, especially on the commercial side. Already fragile businesses are having trouble paying their rent. Residential REITs haven't been affected nearly as much. After all, folks still need a place to live.

This alone makes **Canadian Apartment Properties REIT** (TSX:CAR.UN) one of our dividend studs. In fact, shares have rallied nicely off recent lows as investors realize the company's portfolio of more than 65,000 units is well-positioned to weather this storm.

You also have to like the company's portfolio mix. Although it has exposure to every major market in Canada, the majority of its assets are located in the Greater Toronto Area. That market should continue its outpaced growth. It also has exposure to Ireland and the Netherlands, two strong European markets.

Although Canadian Apartment Properties pays only a 2.8% dividend yield, the company makes our dividend studs list because it has a history of raising the payout. The distribution has been raised each year since 2012. As the stock has a low payout ratio, look for this trend to continue.

Capital Power

Capital Power (TSX:CPX) is a little-followed power producer that's done an excellent job pivoting from a coal-heavy portfolio into something much greener.

In 2015, much of the company's assets were concentrated in coal-fired power in Alberta. When the government announced a plan to make the province coal free by 2030, management went on an acquisition spree, buying up wind, solar, and natural gas power plants across North America.

The company also used cash payments from the Alberta government to help convert its plants in the province to natural gas.

Despite this transformation, the company still trades at a rock-bottom valuation. It should earn close to $5 per share in adjusted funds from operations in 2020. Shares trade hands at $27.60 as I type this, putting the valuation at less than six times the company's true earning power. Oh, and the bottom line should slowly increase over time as the company's development portfolio comes online.

Capital Power pays a $1.92 per share annual dividend today, which works out to a yield of 7% with a payout ratio of less than 40%. It has also raised the payout each year since 2014.

The bottom line on these dividend studs

Retirees don't need to worry. With dividend studs like Telus, Canadian Apartment Properties REIT, and Capital Power on their side, they can collect both safe dividends and be able to count on steady increases. What a great combination.

CATEGORY

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TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:CPX (Capital Power Corporation)
4. TSX:T (TELUS)

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