



3 Top Dividend Stocks to Buy in May 2020

Description

It's a new month! May brings a fresh start for investors. After a flash market crash, the market has rallied about 28% in the last couple of months. However, there are still many depressed dividend stocks that deserve your attention.

Here are three top dividend stocks that you can consider buying in May. They're still cheap and offer a very nice income.

Top dividend stock: BNS stock

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) stock is a top dividend stock to buy in May. It has built its business around six core geographic regions: Canada, the U.S., and the Pacific Alliance countries: Chile, Peru, Mexico, and Colombia.

Over the long term, these exposures should give it a good mix of stability and growth. Interestingly, this year, both Canada and the U.S. are set to underperform the world's GDP growth.

However, investors can depend on BNS stock's dividend. In the last 12 years, the bank's payout ratio has never strayed far away from 50%. This gives the international bank a sufficient buffer to protect its dividend.

Even when the bank's fiscal 2020 earnings are expected to fall marginally, it's not going to be a threat to BNS stock's dividend safety.

At writing, the stock trades at just under \$58 per share. This is about 8.5 times this year's earnings and a discount of 27% from its normal valuation. It's a bargain and provides a juicy yield of 6.2%, which should appeal to value and income investors.

Another awesome top dividend stock

Brookfield Infrastructure ([TSX:BIP.UN](#))([NYSE:BIP](#)) is another awesome top dividend stock to own. It's a global infrastructure owner, operator, and investor.

This means BIP has tonnes of flexibility to invest in the best risk-adjusted infrastructure investments at another time. It can choose to invest in the geographies and sectors that most lack capital and get great deals from it.

Importantly, infrastructure assets tend to be long-life cash cows. Therefore, BIP generates substantial cash flow from its diversified portfolio across four key sectors: utilities, transport, energy, and data infrastructure.

Since its inception in 2008, the quality dividend stock has roughly doubled the returns of the market and utility industry. I believe it will continue to outperform due to its top-notch management, operational expertise, and geography and diversity advantage.

The stock offers a decent yield of about 4.8%. Notably, it recently [spun off](#) the corporation version (ticker BIPC). However, currently, the BIPC shares are not as liquid as the limited partnership units. Therefore, TFSA/RRSP investors should consider buying the BIP version instead.

However, if you plan to buy the shares in a taxable account, consider the BIPC shares to get a [tax](#) advantage on the dividends.

A high-yield REIT to buy in May

Income investors should highly consider hard-hit **H&R REIT** ([TSX:HR.UN](#)) as a top dividend stock. About 67% of the diversified real estate investment trust's (REIT) rental income actually comes from resilient office, multi-residential, and industrial assets — not from retail assets.

Thus, a large portion of H&R REIT's rental income is still intact. The bear has overdone it by dragging the stock down to about \$10 per unit. The high-income stock is essentially half price and on sale!

The REIT offers a yield of 13.4% at writing, because the stock is down from the COVID-19 situation that's beyond management's control.

Receiving lower rental income, H&R REIT might cut the cash distribution by 30-50%. That would lead to an effective yield of 6.7-9.4% based on its quotation of \$10.30 per unit at writing.

In the event of a dividend cut, I trust that management will restore the dividend to previous levels when the economy turns around.

Investors should focus on the effective yield of the stock, which would still be very high. As well, focus on the resilience of most of H&R REIT's quality and diversified portfolio.

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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:HR.UN (H&R Real Estate Investment Trust)

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