Income Investors: 2 Top Dividend Stocks With Payout Increases Coming in 2021

Description

Dividend investors are searching for top stocks that have the ability to keep raising their distributions during the current recession.

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Economic outlook

The IMF expects Canadian GDP to contract by 6.2% in 2020. The organization anticipates a GDP rebound of 4.2% next year.

The hit to revenue and earnings across the board on the **TSX Index** means dividend hikes from reliable distribution payers might go on pause. The big five Canadian banks, for example, are widely expected to hold dividends at current levels through 2021.

A V-shaped recovery would help more businesses feel comfortable about their 2021 prospects and their ability to raise dividends. That's the best-case outlook, but analysts widely anticipate a U-shaped economic rebound. In that scenario, persistently high unemployment through 2021 could push dividend increases into 2022 or even result in some surprise cuts.

There are, however, still a few companies that continue to provide decent dividend-growth guidance for 2021. Let's take a look at two stocks that might be interesting picks right now for a TFSA income portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a North American utility company with $57 billion in assets located in Canada, the United States, and the Caribbean. The business generates 99% of its revenue from regulated operations. This means cash flow is generally predictable and reliable.

The asset mix includes 83% power generation and electric transmission facilities and networks. The natural gas distribution businesses account for 16%, and the remaining 1% is non-regulated energy infrastructure.

Across the asset base, Fortis has 3.3 million utility customers. People and businesses need to keep the lights on and maintain a comfortable temperature in the building. As a result, the nature of the services Fortis provides makes the business recession resistant.

Fortis plans to boost the dividend by about 6% per year through 2024. The current distribution provides a yield of 3.6%.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is another player in the utility and energy infrastructure sector.

The company owns power-generation assets capable of producing 6,600 megawatts of electricity. That's enough to power more than six million homes. On the energy side TC Energy operates a 92,600 km network of natural gas distribution pipelines and 653 billion cubic feet of natural gas storage. Oil and liquids pipelines round out the portfolio.

TC Energy is working through $43 billion of secured growth projects that should drive steady cash flow increases in the coming years. Based on the strength of the capital program, TC Energy intends to raise the dividend by 8-10% in 2021 and by 5-7% annually in the following years.

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One project at risk remains the long-delayed Keystone pipeline. The development would transport Canadian oil to refineries in the United States. President Obama blocked the project. President Trump put it back in play. Joe Biden, who was Obama's VP and the person challenging Trump for the top job in this year's election, plans to cancel the project if he becomes president.

Keystone aside, TC Energy has a positive outlook for the coming years, and investors should see solid returns. The current payout provides a yield of 5.3%.

The bottom line

Fortis and TC Energy should be strong picks right now for a dividend-focused portfolio. If you are searching for reliable income stocks, these companies deserve to be on your radar.

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