These 3 TSX Dividend Stocks Are the Perfect Father's Day Gift

Description

Get something special for your dad this Father's Day. Instead of the usual gifts, get him some safe TSX dividend stocks. He can then use the extra income from the dividends to spend on what he wants.

Over time, the dividend will grow, increasing faster than inflation.

Here are three TSX dividend stocks that would be perfect Father's Day gifts.

Get dividends from a big Canadian bank stock

In all likelihood, your dad banks with one of the big Canadian banks like **Royal Bank of Canada** (TSX:RY)(NYSE:RY). In any case, the big banks are trading at depressed levels this year. Therefore, it's a good time to pick up shares for long-term investment, assuming the banks' earnings will steadily recover alongside the economy.

Last year, Royal Bank reported net income of more than $12.8 billion and paid out less than 47% of it as dividends. In the first half of the fiscal year, the bank reported a 22% drop in earnings and the return on equity falling 4.6% to 12.5% against the same period in the prior year.

Because of the temporary setback from a bad economy, RY stock trades at a discount of about 15% from its normalized levels. At $93 per share at writing, its yield was nearly 4.7%.

RY stock increased its dividend at a compound annual growth rate (CAGR) of 7.5% over the past five years. Investors can count on long-term dividend increases from the bank.

Fortis stock pays reliable dividends

Fortis (TSX:FTS)(NYSE:FTS) is one of the safest dividend stocks on the **TSX**. Its 46 consecutive years of dividend increases prove that. Moreover, it is recession resilient.

Management expects "no material impact from the COVID-19 pandemic." After all, electricity and gas are essential in all economic environments.

Fortis's regulated businesses should continue to generate reliable earnings that support a safe dividend. In the first quarter, the utility reported adjusted earnings per share of $0.68. So, its payout ratio was about 70% for the quarter.

At $52.56 per share at writing, Fortis stock provides a yield of 3.6%. However, it would be an even better buy on a meaningful dip to about $44-$50.

Brookfield Infrastructure offers higher growth

There's room in a dividend portfolio for more than one utility. **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP) has offered higher growth than Fortis.

For example, in the past five years, BIP increased its cash distribution at a CAGR of 13.5% versus Fortis's rate of 6.3%. Notably, that's the growth rate of TSX:BIP.UN's dividend, which was helped by a stronger U.S. dollar.

BIP pays a U.S. dollar-denominated cash distribution. Without the boost from the greenback, the cash distribution actually compounded by 9.4% per year, which is still above-average growth.

Brookfield Infrastructure invests and operates globally in a wide range of quality infrastructure assets, including utility, rail, and data infrastructure.

Like Fortis, BIP also had minimal impact from COVID-19. Virus impacted the company's port and toll road businesses and lowered the value of the Brazilian real. The virus resulted in a reduction of its funds from operations (FFO) by about 7% from where it could have been.

Thanks to the company's other infrastructure operations, its FFO managed to increase by 2% year over year in the first quarter. That said, on a per-share basis, FFO fell 2%.

At $57.80 per share, BIP offers a yield of close to 4.6%. It should continue to outperform in the utility space with higher growth. Therefore, BIP is a good buy now and an even more attractive buy on any dips.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:FTS (Fortis Inc.)

6. TSX:RY (Royal Bank of Canada)

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kayng