3 Dividend-Paying Stocks I'm Buying Next

Description

It is tough to forecast which way the equity market will move in the next two quarters. However, uncertainty and weak economic data indicate that the rest of 2020 is likely to remain highly volatile. With the volatility in the background, now is the best time to take shelter in dividend-paying stocks to earn steady returns and add stabilization in your portfolio.

These are three dividend-paying **TSX** stocks that are on my radar to earn consistent income even amid wild market swings.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is among the top dividend-paying TSX stocks. While higher provisions amid the COVID-19 outbreak remained a drag, investors should note that the dividends of large banks are pretty secure.

Investors should note that the Toronto-Dominion Bank's dividends have increased at an annualized rate of 10% in the past 20 years, thanks to the consistent growth in its net income. Though the bank has temporarily halted its dividend increases, its retail focus business and ability to generate stellar earnings growth should support its future payouts.

The bank's low risk and large retail and commercial deposits base coupled with its ability to drive loans should support its growth in the future. Besides, its target payout range of 40-50% is sustainable in the long run.

Currently, it offers a quarterly dividend of $0.79, which translates into an annualized yield of 5.1%.

Pembina Pipeline

While creating a portfolio of dividend-paying stocks, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) should be on your buy list. Shares of this pipeline company have fallen over 30% this year due to the decline in oil prices. However, the lower stock price has driven its yield higher.

Pembina offers a forward yield of 7.4% and pays monthly dividends, which is safe. Though lower throughput volumes pose a challenge, its business is highly contracted, enabling it to generate strong fee-based cash flows. Besides, Pembina's recent acquisitions and investments in contracted assets have helped the company to build a low-risk and resilient business.

Pembina's diversified cash flow streams and fat yield make it a top stock for regular dividend income that could continue to increase in the future.

Algonquin Power & Utilities

When it comes to dividends, utility stocks are a must-have in your portfolio. **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is among the top utility companies that have performed very well over the past several years.

Its diversified utility assets and steady growth in earnings have helped the company to hike its dividends in the last 10 years consistently. Investors should note that the company's dividends have grown at a compound average annual growth rate of 10% since 2009.

The company's attractive forward yield of over 4.7% is very secure. Its regulated utility business generates stable and predictable earnings that support its payouts. Besides, the company's diversified renewable energy business generates strong cash flows, with over 93% of its power generation being backed by long-term purchase agreements. Moreover, these contracts include inflation escalators and help in realizing higher prices.

The company's low-risk and high-growth business and cost reduction strategies bode well for future growth and should lead to higher dividends in the coming years.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:PBA (Pembina Pipeline Corporation)
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4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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