2 Dividend Stocks That Can Double Your Money

Description

Dividend stocks are known for their reliability and income. When markets get volatile, these companies are often hit less, paying you income throughout the journey.

These stocks *aren't* typically known for their upside opportunity. But from time to time, investors can get the best of all worlds: income, stability, and growth.

The two dividend stocks below are perfect examples. They offer respectable dividends generated through rock-solid revenue streams. Even if the coronavirus stays with us for another decade, these payouts will be reliable. That's quite a feat! If you're patient, you can also *double* your money while you wait.

Play the long game

Hydro One (TSX:H) has one of the best assets one could own: Ontario's energy transmission and distribution infrastructure. When you're in the province, if you see power lines, there's a 98% chance that Hydro One owns them. The company basically has a monopoly.

Owning these assets is a reliable way to make money. Power generation companies need to get their energy to their customers. The only way to do that is through Hydro One.

In exchange for its monopolistic power, Hydro One accepts heavy regulation. Its prices are dictated years in advance by the government. This sounds bad, but it's the reason why this dividend stock is so special.

Even during the worst crisis, power demand barely slips. And because prices are already guaranteed, Hydro One has nearly perfect visibility into cash flows. That's why shares have trounced the market during the COVID-19 pandemic.

The dividend currently yields 4%, and management targets 5% annual rate base growth over the long term. That should result in a 9% total annual return, meaning you'll double your money every 9.1 years.

That’s nothing to write home about, but it’s as reliable of a doubling as you can get.

A proven dividend stock

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) can double in value *much* faster than Hydro One. Just look at its history. In 2009, shares were priced at $3.50. By 2013, they reached $7. Last year, they surpassed $14, climbing to $18 today. All of this was achieved while paying a 4.5% annual dividend!

The secret to this dividend stock is that it balances risk with reward better than any other utility on the market.

Hydro One is *completely* rate regulated, eliminating nearly all of the year-to-year risk. Algonquin, however, is only two-thirds rate regulated. That gives it stability, but also room for growth.

Roughly one-third of Algonquin’s assets are renewable energy projects that trade on the open market. But this doesn’t add a tonne of extra risk, as the company ensures long-term contracts for the power that these facilities produce, often spanning a decade or more.

In total, this dividend stock is the best of all worlds. Its rate-regulated business provides stability, its renewable portfolio generates growth, and the combined businesses produce regular income to service the 4.5% dividend.

Algonquin stock doubled multiple times last decade. With a market cap of only $11 billion, there should be several more doubles to go. All it needs to do is continue business as usual.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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1. Editor's Choice

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:H (Hydro One Limited)

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