Got $3,000? These 3 Dividend Stocks Could Pay You Handsomely

Description

If you have a few thousand dollars to invest–say $3,000–one of the best places to invest it is in dividend stocks. These stocks pay you reliable cash income whether the markets are up or down, providing a buffer against losses you might incur in down markets.

Cash dividends are similar to interest from bonds, in that they are regular cash payments you receive on a set schedule–typically quarterly. However, dividend stocks often have much higher yields than bonds.

If you're new to investing, you can always start by investing your money in a diversified index fund. $3,000 in a fund like the **iShares S&P/TSX Composite Index Fund** could go a long way and could pay you up to $90 a year. If you want a more substantial yield than that, you'll need to get a little more adventurous. With that in mind, here are three dividend stocks that could pay you handsomely with just $3,000 invested.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is an absolute monster among dividend stocks. Yielding 7.44% as of this writing, it'll pay you $223 a year with a paltry $3,000 invested up front. That assumes, of course, that the dividend isn't cut. But in the last 10 years, Enbridge hasn't cut its dividend once; in fact, it has increased it many times.

Why is Enbridge's yield so high?

Partially, because its stock price has been beaten down. As an energy stock, Enbridge is part of a group of stocks that haven't been doing well over the last five years. Oil prices started falling in 2014/2015 and never completely recovered.

For this reason, Enbridge fell with the rest of them. But Enbridge is actually a transportation (pipeline) company, not a company that extracts crude oil. It makes money off of transportation fees, not oil sales. So its earnings have actually done fairly well. For example, in the second quarter, ENB earned $1.6 billion

, even though oil was getting crushed in April.

One thing to note: if you invest in Enbridge, you have to be ready for its stock price to fall when oil falls. But the dividend itself is solid.

TD Bank

The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is another super high yield stock. With a dividend yield of 5%, it'll pay you $150 a year with $3,000 invested.

Like Enbridge, this stock has been beaten down. That's mainly because of the increased risk factors brought on by COVID-19. Because a lot of people and businesses are losing money this year, banks have to prepare to lose money on their loans.

They report the increases in these expected losses in their income statement, which reduces their on-paper profit. However, there's ultimately no real cash loss until the expected defaults actually materialize. If COVID-19 related risk factors abate, then TD and other banks like it will return to solid profit growth in short order.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is a moderately high yield stock with a lot of potential for dividend growth. It only yields 3.5%, but its yield could increase over time. As a regulated utility, Fortis has a very stable revenue stream. Its revenue can grow due to rate hikes even without extra investment–subject to regulatory approval.

Over the next five years, Fortis is aiming to increase its dividend by 6% a year. So while the yield today is not that high, the yield-on-cost tomorrow could be higher. This makes Fortis one dividend stock that's absolutely worth looking into.

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