Better Than Fortis: This Utility Stock Pays 4.5%

Description

Fortis (TSX:FTS)(NYSE:FTS) is a top dividend stock that you can safely put away in your portfolio for years, probably even decades. You can count on it to deliver recurring and growing dividend payments while also steadily rising in value over the years. And with a low beta of close to zero, Fortis isn't a very volatile stock to hold, which is important, especially during a pandemic or recession. Year to date, shares of Fortis are down just 2%, while the TSX has declined by closer to 3%. And during the March market crash, the TSX dipped much lower than Fortis, falling close to 35% while the utility stock didn't even reach a 25% decline.

Stability is important, and that's what makes Fortis a popular buy with income investors. It's an ideal stock to just buy and hold. Over the past five years, the stock has produced returns of more than 35% for its shareholders. However, the one area where dividend investors can do a bit better is in the yield. With a 3.6% dividend yield, it's not the highest that investors could be earning today from a utility stock.

A better option for dividend investors: Emera

If you're priority is recurring dividend income, **Emera** (TSX:EMA) is likely going to be a better stock for you. It's also a utility stock, and while it's performed slightly worse this year, down around 4% so far in 2020, it pays investors a much higher dividend yield at 4.5%.

Both Fortis and Emera have raised their dividends in recent years.

Fortis currently pays shareholders a quarterly dividend of $0.4775, and that's up over 40% from quarterly payments of $0.34 five years ago. That averages out to a compounded annual growth rate (CAGR) of just over 7% per year. Emera, meanwhile, pays its shareholders a quarterly dividend of $0.6125. Five years ago, its payments were $0.40 and would go on to rise by more than 53% for a CAGR of 8.9%. Not only does Emera pay a higher dividend today, but it's increased its payouts at a higher rate in recent years.

However, there's no guarantee that trend will continue in the future. In their most recent dividend increases, Fortis hiked its payouts by 6.1%, while Emera raised its payments by 4.3%. Without a large delta between Fortis's and Emera's recent dividend hikes, it seems like a fair assumption to make at this point that unless one of these stocks drastically falls in price or their businesses radically change, Emera will continue providing investors with a stronger dividend for the foreseeable future.

These are two very comparable companies

Like Fortis, Emera also is a fairly low-volatile stock with a beta of 0.21. And both companies also offer similar diversification to investors, operating in Canada, the U.S., and the Caribbean. The major difference is that Fortis is the bigger company of the two, with $56 billion in assets while Emera has $32 billion in assets. Either stock could be a great buy no matter how you look at it. But if you want to squeeze out a higher dividend, you're better off investing in Emera today.

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