2 Top Dividend Growth Stocks on the TSX

Description

One of the best things about investing is that no set strategy ensures success. This means investors can use a variety of methods when deciding which **TSX** stocks to buy.

Some investors will prefer to buy value stocks. This involves finding companies that are trading undervalued and holding them until they reach their full potential.

Other investors may prefer to prioritize income. This strategy finds dividend-paying stocks to help build up a sizeable passive income stream from your investments.

Some investors may choose to forgo income altogether, opting for a higher-growth strategy. Companies these investors are interested in aren't paying a dividend because they are reinvesting all their capital in growth.

High-growth stocks are appealing for investors because the potential for capital gains could be enormous.

Because there's no right or wrong strategy, it's more of a personal preference, but generally, investors should aim to have a little of everything.

When combining these strategies, some of the top stocks to consider on the TSX are dividend growth stocks.

Finding top dividend growth stocks on the TSX

When considering which dividend growth stocks to buy, often the best stocks will be found on the Canadian Dividend Aristocrats list.

These stocks have a long track record of increasing the dividends consistently. This is key, especially as most of these dividend stocks have extremely resilient operations, so the income streams are very safe.

Investing in proven dividend growth stocks is one of the top investment strategies for long-term investors for two reasons. Not only is your total portfolio value growing over the long-term, but more importantly for a lot of investors, so is the passive income you're making.

Two TSX dividend growth stocks

The first stock to consider is **Telus Corporation** (TSX:T)(NYSE:TU).

Telecoms are great businesses in one of the best long-term growth industries. Plus, the companies are absolute cash cows.

With the introduction of 5G there will be growth for years, and we've seen from the pandemic that communication services are essential. This means that revenues will generally be resilient.

Telus has seen some impacts from lower revenue for business services, however, that's understandable in a pandemic. In a regular recession, though, the company would be even more robust.

This strong resiliency and significant long-term potential is what makes Telus such an ideal dividend stock to own for decades.

Its dividend currently yields 4.7%, and has been increased by roughly 40% since 2015.

If you already have exposure to top telecom stocks and need some diversification, another stock to consider is a leading real estate investment trust (REIT) such as **Canadian Apartment Properties REIT.**

REITs have consistently been some of the best growth stocks on the TSX over the last decade. The Canadian residential real estate market has been hot for years, and these REITs have been taking advantage.

From 2016 until the start of this year, Canadian Apartment Properties' stock had more than doubled. This is mainly due to the explosive growth in Canadian residential real estate as well as management's ability to execute.

While most of the money CAP REIT makes gets reinvested, the company does pay a dividend. Currently, that dividend yields roughly 3% and pays shareholders monthly.

Bottom line

It’s crucial when taking a dividend growth approach to investing, that you focus on high-quality stocks rather than stocks with higher yields.

Having a company that can maintain and grow its dividend every year is much better than a TSX stock with a high yield that may have to trim it if it runs into trouble.

After all, if you buy high-quality companies with consistent growth, your investment will soon be yielding much more anyway.

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