Got $5,000? These Dividend Stocks Have Upside

Description

Dividend stocks are becoming the only place investors can pick up decent investment income today. While dividend income is never 100% guaranteed (like a bond), you can still find some pretty safe dividend stocks.

Despite the strong **TSX** run up, there remain some fairly priced, sleep-at night income stocks for your portfolio. Do you have $5,000 to invest today? Here are two of my top dividend safety stock picks for September.

The king of quality dividend stocks

The first dividend stock that is the king of quality is **Fortis** (TSX:FTS)(NYSE:FTS). It only pays a 3.7% dividend; however, that dividend is growing. In fact, Fortis is a Dividend Aristocrat and has raised its dividend every year for the past 46 consecutive years! Since 2008, it has raised its dividend by 83%.

This is one of the safest dividend stocks an investor can own. It provides essential regulated utility services across North America, such as regulated electric and gas transmission and distribution. Despite COVID-19, politics, or even economic challenges (82% of revenues are protected by regulatory mechanisms or are residential revenues), society needs Fortis's services. Consequently, its cash flows are incredibly stable, and it has a low dividend-payout ratio of about 75%.

Although Fortis has had some temporary COVID-19 volume challenges, it still has good growth ahead. It has an $18.8 billion capital plan that should accrete 7% annual rate base growth and 6% compounded dividend growth over the next five years.

This dividend stock has a solid balance sheet with $5.2 billion of liquidity and its debt maturities are evenly spread out over the next five years. If you like dividends and want safety, then you can't get any better than Fortis.

The best of the telecoms

Another Dividend Aristocrat stock that may also have some attractive growth features is **Telus** (TSX:T)(NYSE:TU). Since 2010, it has raised its dividend by a CAGR of 8.6%! Today, it trades with a nice 4.83% dividend yield. This stock is relatively cheap and is still trading down about 10% from its highs in February. I don't think it is too late to buy into this quality dividend stock.

In my opinion, Telus is the most attractive telecom among its Canadian peers. It was early in investing heavily into fibre optic broadband and 5G, and it is paying off. In its recent quarter, it saw very strong customer growth and low churn. Recently, Telus was rated as the fastest wireless network in Canada. It is positioned perfectly to benefit for many years from the 5G transition.

What I really like is that Telus has expanded into growth verticals in health, agriculture, security, and digital services. While these verticals are relatively small contributors to Telus's overall earnings, they could become meaningful as the world increasingly turns digital.

Its health division alone is, in fact, Canada's largest healthcare IT provider. It produces almost $800 million in revenues per year. While small in the overall organization, this is still a segment with significant scale and opportunity to expand.

I think investors can expect some decent growth from its wireless and wireline businesses. However, I think there is real upside from potential vertical spin-offs. This makes Telus stock the perfect mix of a growth and dividends!

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robbybrown