Investing $10,000 in These 3 Dividend Aristocrats Will Earn You $1,340 Per Year

Description

The world has been hit by a double whammy since March. The first was the COVID-19 pandemic, which pretty much brought the global economy to a standstill. The second whammy was the recession caused by the global economy shutting down for the second quarter.

Canada responded with the CERB (Canadian Emergency Response Benefit) Program, which has helped Canadians for six months. However, the stimulus is coming to an end, while the risk of a second pandemic wave looms over our heads and the wait for a vaccine goes on.

The Canadian economy is going to contract by 8.2% this year, the worst one on record. While The Canadian Outlook Summary says that the economy will grow by 6.7% in 2021 and by 4.8% in 2022, there are still a lot of variables that could affect the growth rate.

Consider dividend-paying utility companies

During times like these, it is natural for investors to look at companies that offer stable incomes via dividends even during economic downturns, the likes of which we are going through right now. If you are looking for a stable dividend stock, you would do well to look at Dividend Aristocrats.

Dividend Aristocrats in Canada have a market cap of over $300 million and have raised dividends for the last five consecutive years. However, the last five years have been relatively good (barring 2020, of course) and so might not be the most accurate barometre to judge companies.

You need to look at companies that have been through a couple of slow economic periods, so you have more confidence that they will make it through this one too. That’s why I added a condition that our neighbors south of our border use to give the tag of an Aristocrat to their companies. A U.S. Dividend Aristocrat is a company that has raised its dividend for 25 straight years.

There are nine Canadian companies that qualify under these criteria. Three of them are utility stocks. These are basically dividend-chugging machines that will continue to march toward their goals. It will take more than a pandemic to derail them.

Look at Canadian utility giants

Fortis is a utility behemoth in Canada that has increased its dividends for 46 straight years. It expects to increase dividends by 6% every year until 2024. The forward dividend yield for Fortis is 3.6%. I had written about Fortis earlier this month and highly recommend this stock for 2020 and for the next two decades as well.

Canadian Utilities generates almost all of its earnings (95%) from regulated operations, and the remaining 5% comes from long-term contracts with fixed payouts. There is very little chance of the company cutting its forward yield of 5.4%, even during this downturn. This company has increased its dividend payout for 48 years, and it doesn't look like it's going to miss hitting 50 straight years.

ATCO owns a diversified portfolio of businesses, including residential and commercial real estate, construction, logistics, utilities, energy infrastructure, and transportation. It also has a stake in Canadian Utilities, and when CU does well, so does ATCO. The company has a forward yield of 4.4% and has raised its dividend for 26 straight years.

If you invest $10,000 in each of these three stocks, you can get close to $1,340 in annual dividend payments. Long-term investors will also benefit from capital appreciation, enabling them to generate a passive stream of income.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ACO.X (ATCO Ltd.)
3. TSX:CU (Canadian Utilities Limited)
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araghunath