Get a CERB Extension With These 2 Dividend Stocks

Description

The CERB was extended but is set to end on September 26. Instead of counting on the CERB to be extended again, Canadians can consider buying and holding dividend stocks.

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Getting income from dividend stocks will be like a CERB extension that lasts forever. Additionally, there's no limit on how much dividend income you can get, which means perseverance in building a solid dividend portfolio can get you well past the mark of $2,000 per month in income.

Get a CERB extension with this 8% dividend stock

Enbridge (TSX:ENB)(NYSE:ENB) stock's dividend yield is attractively high at 8%. The incredible dividend is due to a combination of a culture of dividend growth and a lower share price.

Year to date, ENB stock has fallen 21%. Its quarterly dividend has climbed higher for 24 consecutive years and can continue increasing at about 3% per year over the next few years. That will lead to total returns of approximately 11% without any valuation expansion.

In reality, though, the North American energy infrastructure leader is undervalued. Therefore, investors can certainly count on some price appreciation over the next few years.

Enbridge stock is a great value at the current levels. At $40.59 per share, it has a 12-month upside potential of 28%, according to the average analyst price target.

To get $2,000 per month from Enbridge stock, investors need to invest about $300,000.

RBC stock

Royal Bank of Canada (TSX:RY)(NYSE:RY) remains a banking leader. Other than supporting clients through numerous relief options, it has also assisted in the recovery of the small business sector that is essential to the broader recovery of the economy.

In the fiscal Q3 report, Dave McKay, RBC president and CEO stated, “Through the launch of Canada United, we’re bringing together government, businesses associations and more than 50 of Canada’s leading brands to rally consumers and give local businesses the support they need to re-open during these uncertain times. We also launched Points for Canada, a program to help stimulate local economies by giving increased RBC Rewards to our clients as they dine and shop in Canadian restaurants and stores.”

The bank’s capital position is one the strongest among the Big Six Canadian banks. RBC has a common equity tier one (CET1) ratio of 12%, which provides a buffer over the current regulatory minimum of 9%. Other than RBC, between the Big Six, only **TD Bank** has a recent CET1 ratio of 12% or higher.

In fiscal Q3, RBC recorded strong mortgage growth of 10% against the prior year’s period. It has digital solutions to help its clients with self-serve renewals and its mortgage specialists to get the work done. However, it reassures that it continues to focus on the borrowers’ quality and will not compromise its risk profile for the sake of increasing mortgage volumes.

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RBC will survive the pandemic and come out stronger than its peers, as the macroeconomic environment steadily recovers.

The stock is fairly valued near term. However, it trades at a discount of more than 10% from its normalized levels. At under $95 per share, it offers a safe dividend yield of 4.5%.

The Foolish takeaway

Canadians can get a CERB extension for themselves by carefully building a secure dividend portfolio. Buy shares of stable dividend stocks like Enbridge and RBC that pay you generously.

To get an income of $2,000 per month from an investment in the stocks, you’re required to invest about $384,000 ($192,000 in each).

This seems like a lot of money to invest. The important thing is to get started and get the dividend income rolling into your pocket.

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