Got $3,000? 3 Dividend Stocks Offering Stable Income

Description

As interest rates remain low and uncertainty prevails amid rising coronavirus infections, investors can squeeze higher yields from dividend-paying stocks. However, not all stocks are worth investing as only a few offer worry-free dividends that could continue to grow in the coming years.

If you got $3,000 to invest, let's focus on three dividend-paying companies that generate high-quality earnings and have a resilient business that could continue to support their future payouts.

Emera

With the majority of its earnings coming from the high-quality rate-regulated business, **Emera** (TSX:EMA) is among the top dividend-paying stocks that should be on your radar for worry-free income. Over the past two decades, its dividends have grown at a compound annual growth rate (CAGR) of 6%, reflecting solid rate base growth and capital programs. Further, its dividends have increased at a CAGR of 10% in the past five years.

Emera's $7.5 billion capital growth program suggests that its rate base is likely to grow at a healthy pace over the coming years, which is likely to support higher payouts.

Management projects its rate base to increase at a CAGR of 8% till 2022. Moreover, Emera forecasts a 4-5% growth in its annual dividends till 2022. Currently, it offers a high dividend yield of over 4.4%.

Algonquin Power & Utilities

With its diversified revenues and predictable cash flows, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is another top stock investors could consider buying for steady dividend income.

The company's low-risk business is backed by regulated assets that generate strong cash flows and supports its payouts. Besides its utility assets, the company also owns the renewable energy business, which is supported by long-term power purchase agreements. Further, these contracts have inflation indexation.

Thanks to its strong business and stellar cash flows, Algonquin Power & Utilities' annual dividends have grown at an annual rate of 10% over the last 10 years. Meanwhile, the expansion of its regulated and renewable energy assets suggests that its dividends could continue to increase in the coming quarters.

Shares of Algonquin Power & Utilities currently offer a forward yield of 4.3%, which is very safe.

Fortis

Up next is **Fortis** (TSX:FTS)(NYSE:FTS). With its 46 years of long history of uninterruptedly increasing its dividends, Fortis is a must-have stock for income-seeking investors. Fortis generates almost of its net income from the rate-regulated utility assets.

Its low-risk business, high-quality earnings and predictable cash flows suggest that investors could expect a stable income flow despite large market swings.

Fortis is diversifying its revenue base and is investing in renewable power and infrastructure, which is likely to accelerate its growth. Moreover, growth opportunities from strategic acquisitions and cost-containment measures are likely to support its earnings and cash flows in the coming years.

The company expects its rate base to expand to over $38 billion by 2024, reflecting a compound annual growth rate (CAGR) of 6.5%. Meanwhile, it projects a 6% growth in its annual dividends during the same period. Currently, Fortis offers a decent dividend yield of 3.7%.

Bottom line

All these three companies have resilient businesses that generate high-quality earnings and stable cash flows, which is likely to cover their increasing payouts in the coming quarters. Investors could consider allocating a portion of their portfolio in these dividend-paying stocks for both stability and consistent income.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:EMA (Emera Incorporated)
5. TSX:FTS (Fortis Inc.)

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