2 Worry-Free Dividend Stocks to Buy in October

Description

Amid the concerns over the second wave of COVID-19 infections and weak economic indicators, the S&P/TSX Composite Index has declined by over 2% in September. Meanwhile, the volatility in the equity markets could continue due to the concerns over the outcome of the United States presidential elections.

Further, the yields of debt instruments are also not encouraging, given the low interest rates. So, investors should invest in high-yielding dividend stocks for a regular and stable income. However, given the current pandemic-infused crisis, not all dividend-paying stocks are safe. So, one has to be careful.

Meanwhile, here are the two dividend-paying companies with resilient business models and solid balance sheets that could support their future payouts.

BCE

With telecommunication service becoming an essential part of our everyday activities, my first pick would be **BCE** (TSX:BCE)(NYSE:BCE). The company is trading over 8% lower for this year. The lower roaming charges, a decline in data overage revenue due to the increased adoption of unlimited plans, and closure of retail stores amid the pandemic had dragged down the company's financials and stock price.

However, the company has increased its wireless customer base and retail internet subscribers during its second quarter. Its free cash flow increased by 49.7% to $1.61 billion. These impressive cash flows allow BCE to invest in the growth initiatives, supporting its future earnings and cash flows.

In June, the company had launched a 5G network, which enables faster and unprecedented connectivity. Currently, the company has launched the service in five markets with plans to expand to other markets in the country. Amid a surge in remote working, the demand for high-speed connections has also increased. So, the company has rolled out broadband wireless home internet service in over 400,000 rural locations.

These growth initiatives could provide stable cash flows for the company in the years to come, supporting its future dividend payouts. So, the company's dividends are safe. Currently, the company's dividend yield stands at an attractive 6%.

Fortis

Fortis (TSX:FTS)(NYSE:FTS), an electric utility company, is my second pick. The company has returned over 1% this year, comfortably outperforming the broader equity market. The company earns 99% of its earnings from its regulated utility business. So, despite the impact of the pandemic, its adjusted EPS grew 3.7% in its recently completed quarter, while generating $94 million of cash from its operations. The growth in the rate base of its regulated utility businesses drove the company's financials.

Further, the company's operations are well diversified, with the United States and Canada generating 52% and 38% of its revenue, respectively, while the rest came from the international markets.

The company is a Dividend Aristocrat; it has increased its dividends for the past 47 consecutive years. For the third quarter, the company has announced a quarterly dividend of $0.4775, representing an annual payout of $1.91 per share. Its forward dividend yield currently stands at 3.5%, which is relatively on the lower side.

However, the company has increased its dividends at a CAGR of 5.8% in the last 10 years. Further, the management has planned to increase its dividends by 6% every year until 2024, which is encouraging.

Fortis's liquidity position looks healthy, with an unutilized credit facility of $4.8 billion. Further, the company projects to raise its rate base by 7% every year through 2024 to $38.4 billion, supporting its future cash flows. So, given its recession-proof business model, stable cash flows, and strong growth prospects, I believe Fortis is an excellent buy for stable income seekers.

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