3 TSX Dividend Stocks That Should Pay You for the Rest of Your Life

Description

Dividend stocks continue to generate interest among investors. Despite a volatile and forgettable 2020, investing in quality dividend stocks provides an opportunity to increase your wealth via recurring payouts as well as capital gains over the long term.

Most dividend-paying companies have a steady stream of cash flows that help them maintain or increase payouts over long periods. Here we look at three such stocks that are well-positioned to keep paying you dividends for the rest of your life.

Algonquin Power & Utilities

The first stock on the list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), a Canadian renewable energy and utility company. It owns and operates several regulated gas, water, and electrical utilities and renewable energy power plants in North America.

The company's focus on renewable energy has allowed it to generate market-beating returns in the last decade. Algonquin stock is up 440% since October 2009. Despite its stellar returns, it has a forward dividend yield of 4.3%.

Algonquin will continue to benefit as electric grids are transitioning to emissions-free sources of energy. Its low-risk business is supported by regulated assets that generate robust cash flows. Further, its renewable energy business is backed by long-term purchase agreements that have been indexed to inflation.

Algonquin has managed to increase dividends at an annual rate of 10% in the last decade and it remains a top pick for income investors.

TransAlta Renewables has a dividend yield of 5.6%

Another renewable energy giant is **TransAlta Renewables** (TSX:RNW), a company that also pays shareholders a monthly dividend. The stock has gained over 60% in the last five years and has a forward yield of 5.6%. It has increased dividends at an annual rate of 4% since 2013 and pays dividends of $0.07833 a month or $0.90 per share per year.

The company owns and operates a portfolio of 13 hydro facilities, 19 wind farms, and one natural gas plant in Canada. Its total electricity-generating capacity is 2,555 megawatts.

In Q2, TransAlta increased adjusted EBITDA by 3.6% to $115 million and funds from operations rose 12.5% to $90 million. It generated $71 million from operating activities in Q2 which indicates year-over-year growth of 36%. The company also ended Q2 with $498 million in liquidity.

TransAlta has maintained guidance for 2020 and expects EBITDA between $445 million and $475 million, up from $438 million in 2019.

Emera is also a forever dividend stock

The third stock in this list that can easily sustain and increase dividend payouts is **Emera** (TSX:EMA), a company that generates the majority of earnings from its rate-regulated business. Emera is a top dividend stock that has grown dividend yields at an annual rate of 6% in the last two decades. The stock now has a forward yield of 4.5%.

Emera has outlined a $7.5 billion capital growth program, which means its rate base should grow at an enviable pace over the years, allowing it to support higher payouts. The management expects rate base to increase at an annual rate of 8% until 2022, while its dividends are forecast to grow between 4% and 5% through 2022.

The Foolish takeaway

If you invest $25,000 in each of these stocks, you can generate $3,500 in annual dividend income. In case the companies increase dividends at an annual rate of 5% in the next 10 years, annual dividend income will increase to $5,400 after accounting for re-investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:EMA (Emera Incorporated)
4. TSX:RNW (TransAlta Renewables)

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