3 Top TSX Dividend Stocks to Buy Now

Description

Buying dividend stocks is one of the best ways to increase the value of your equity portfolio while protecting it from adverse market movements as these stocks will provide you with income in any market environment. Here are three solid and safe dividend stocks that you might want to add to your portfolio.

Fortis

As Canada's largest utility, **Fortis** (TSX:FTS)(NYSE:FTS) is one of the most defensive stocks to own. You can count on the reliability and safety of its dividend in our current uncertain environment.

Fortis has increased its dividend for the past 46 years – the second-longest streak of dividend growth in Canada. The company will be among the first Canadian stocks to achieve Dividend King status – a prestigious status reserved for those who have increased the dividend for at least 50 consecutive years.

Over the past three, five, and 10 years, Fortis has steadily increased the dividend by around 6%. Further proving its reliability, Fortis is one of the few companies to offer dividend growth targets over several years.

Fortis plans to increase the dividend by 6% per year, in line with historical averages, through 2024.

In August, the company reiterated that its capital program and forecast for dividend growth remain intact despite the current pandemic. A strong dividend growth combined with an attractive yield (3.82%) makes Fortis one of the top dividend stocks to own.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is the largest Canadian bank and one of the largest companies in the country. The bank consistently ranks among the best performing Big Five banks.

Given the good results posted by Canadian banks during this pandemic, it's likely only a matter of time before major Canadian banks increase dividends again. Today, Royal Bank is in the best position to do so.

At 54.76%, Royal Bank has the lowest payout rate among its peers. It's also important to note that the respectable payout ratio is on a 12-month basis, meaning it includes two-quarters of the pandemic-related impacts. Over the past two quarters, provisions for credit losses have increased, but despite this, the dividend remains well covered.

Royal Bank has a nine-year dividend growth streak during which it has increased the dividend by an average of 7.5% per year. Now offering a dividend yield of 3.99% (above its historical five-year average), Royal Bank deserves its place among Canada's leading dividend-paying stocks.

BCE

BCE (TSX:BCE)(NYSE:BCE) is the largest telecommunications company in Canada. The stock currently has a very attractive yield of 5.82%, which is in line with its historical averages.

BCE has an 11-year dividend growth streak during which it has experienced an average annual dividend growth of around 5%.

The 11-year dividend growth streak may not seem so impressive. The company froze the dividend in 2008 when it was privatized by a group led by the Ontario Teachers' Plan.

However, the transaction ultimately failed and the company resumed dividend growth. Since its IPO in 1983, BCE has never missed a payment. It has also never reduced the dividend.

One of the biggest drawbacks to the company is the high payout ratio, which is high at 130.5%.

While this is concerning, the rate as a percentage of cash flow drops dramatically. Currently, the dividend only represents 66% and 36% of free cash flow and operating cash flow, respectively. So, BCE's dividend is safe.

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