Buying Dividend Stocks? These Small Yields Could Grow in Time

Description

Are you looking to buy stocks for their dividends but also some passive income growth? Today, we will take a brief look at three names that could help investors grow their passive income over the years.

An overlooked dividend-growth stock

Dividend growth can come from unlikely places. Of course, some of the best dividend studs on the TSX hide payout ratios that suggest room for income growth. But digging around in growth stocks can also throw up some intriguing picks. Look at **Cargojet** (TSX:CJT), for instance. This is a name that could see big returns for investors by the middle of the 20s — potentially as much as +790%, in fact, according to estimates.

Aviation investors may still be overlooking Cargojet in favour of **Air Canada** in the last few months, though. Why? For one thing, the flag-carrying commercial airline is relatively cheap. Of course, that doesn't necessarily mean it's the best-valued stock on the TSX. However, there are cheap stocks… and then there are cheap *quality* stocks. And Air Canada belongs firmly in the second category.

For regular payouts of passive income, though, Cargojet is the stock to buy. Some of its steep five-year returns will come through dividend payments. And those payments could conceivably grow in time. So, for investors holding for the long term, Cargojet could be worth a second look. This name packs a 0.43% dividend yield with a coverage ratio projected to be just 17% in three years.

There's an ETF for that…

iShares Core Dividend Growth ETF is built around stocks chosen for their potential to increase payouts. There are a lot of good companies packed into this fund. From **Apple** to **Pfizer**, not much in here will be unfamiliar to the general Canadian investor. Its weighted mostly by healthcare, tech, and financial services names. The ETF itself pays a 2.3% dividend yield and trades with near-market weight volatility.

Of course, investors may want to unpack this and other ETFs and pick what they like best about them. For instance, an investor might be dubious about Big Pharma leading into the new year. The same goes for Big Tech, which is beginning to be looked at somewhat askance by value-focused shareholders. For the casual investor with less time on their hands, though, this is a solid place to start with U.S. dividend growth.

Tech stocks can also hide dividend security. Digging into the normally high-growth field reveals **Open Text** as a potential buy. Flying under the radar with a yield 1.8%, Open Text is another dividend-growth name. The company's payout ratio is expected to drop from 72% to 29% in the next three years. This means that not only is that distribution fairly well covered, but growth in payments could be in the cards.

In summary, buying dividend stocks for the long term needn't be about finding the richest yields. By looking at the coverage of a dividend alongside a company's story, investors can narrow down distribution growth. From ETFs that track such businesses to infrastructure and overlooked tech, there are some strong options for growing yields out there.

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1. Investing
2. Stocks for Beginners
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TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

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