



2 Top Canadian Dividend Stocks to Buy for 2021

Description

Dividend stocks are a great anchor for any Canadian investor's portfolio. 2020 has been a whipsaw year for investors. While we all hope for a 2021 that is perhaps a little less "interesting," the reality is, every year comes with its challenges and opportunities.

Put your money in defensive and offensive stocks

Right now, stock markets are hoping for a quick conclusion to the coronavirus pandemic. Consequently, markets across the board have been hitting peaks and tops. Yet valuations are getting rich and any variation from the "plan" could mean a correction in stocks.

Consequently, I am equipping my portfolio with offence and defence for 2021. I am looking for cyclical offence in stocks that could see an uptick from a recovery rebound. Yet I am also looking for defensive stocks with long-term tailwinds that are generally agnostic to the economy or the pandemic. Here are two top Canadian dividend stocks that I believe encapsulate these opportunities.

Canadian dividend-growth stock one: Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is a perfect defensive/offensive Canadian dividend stock. 70% of its business is focused on three essential regulated utility businesses (water, electric, and natural gas). The remaining 30% is focused on renewable power operations and development.

Its mix of businesses is really attractive. Everyone needs water, electricity, and, in most regions, natural gas for heating and cooling. Regardless of the economy or where the pandemic goes, these services consistently have a baseline of demand. Likewise, green power is increasingly growing in popularity. This Canadian dividend stock is becoming a green power development partner of choice in the U.S. (evidenced by its recent 500 MW development partnership with **Chevron**). I think there will be more of these announcements in 2021.

Lastly, Algonquin is in the midst of a heavy investment cycle. It has earmarked \$9.4 billion for

developments and asset improvements that will grow its rate base. Consequently, it targets an 8-10% net earnings CAGR for the next five years! For a stable, boring utility, it has some pretty attractive growth ahead. In fact, *Forbes* [recently](#) compare Algonquin to an “up-and-coming **NextEra Energy**,” yet at a substantially lower valuation.

This stock already pays a great 4% dividend today. But considering the ample upside, I am all-in on this growing Canadian dividend stock.

Canadian dividend-growth stock two: Telus

Telus ([TSX:T](#))([NYSE:TU](#)) is another dividend-growth stock, Canadian investors need to have a look at. Like Algonquin, this stock is not sexy. Yet, among its telecom peers, [it has some really attractive opportunities ahead](#).

Firstly, despite even the pandemic, Telus added a sector-leading 277,000 new net customers to its wireline and wireless businesses. Telus has heavily investing in its fibre and data infrastructure. As a result, it has some of the fastest networks in Canada and the world.

Secondly, this Canadian dividend stock is becoming a leading digital services provider in multiple areas. In early November, Telus International acquired Lionbridge AI, an international leader in digital content, translation, testing, and AI services. This sets Telus International up for a potential spin-off in early 2021. This event could accrete 8-10% of upside for the stock, and is definitely something to watch for.

Likewise, Telus is a leader in digital health services across Canada. In fact, it has Canada's largest tele-health platform. While this division is small (compared to Telus as a whole), it has ample opportunities for growth ahead. The Canadian health system is plagued with inefficiencies. Telus has the reputation/expertise to create a pipeline of efficiencies and digitization in the industry.

Today, Telus pays a great 5% dividend, which it just raised 7%. Considering its capacity to generate stable, growing free cash flows and upside from its digital businesses, I think this is a perfect Canadian dividend stock to buy for 2021!

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TU (TELUS)

3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:T (TELUS)

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Author

robbybrown

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