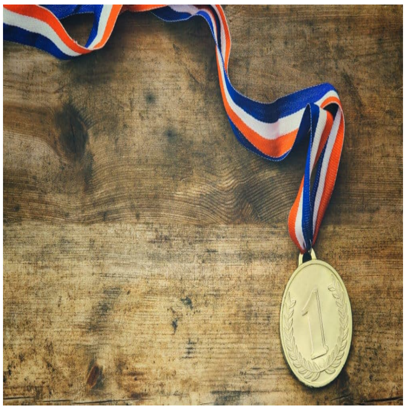

Got $1,000? The 2 Best TSX Dividend Stocks to Buy in 2021

Description

With a new year fast approaching, investors are likely wondering what TSX dividend stocks to own going into 2021. 2020 has been a wild and dramatic year. Certainly not always easy, especially for those owning dividend stocks in segments challenged by the pandemic (energy, real estate, and consumer discretionary).

Yet there are signs that a cyclical rotation is occurring. Given this, I think TSX dividend investors should have exposure to stocks that can succeed in a pandemic, and those that can also succeed in a pandemic recovery. If I had $1,000 of Christmas gift money to invest into two different TSX dividend stocks, here is what they would be.

TSX dividend stock: Renewables

The first TSX dividend stock is **Algonquin Power** (TSX:AQN)(NSYE:AQN). Renewable stocks saw a very strong move in 2020. I believe this trend will only continue into the future. Most of Algonquin's business actually comes from its regulated utility segment (around 70% of revenues). Yet, it still has a substantial (about three GW) business developing and operating renewable power across North America.

For a utility-centric business, this TSX dividend stock has a very attractive risk/reward profile. Algonquin recently set forward an aggressive five-year, $9.4 billion capital plan. Management expects to expand its five-year rate base by a CAGR of 11% and its net earnings by a CAGR of 8-10%. This is just within its current development scope. Any acquisition or development joint venture would be upside from that! Likewise, with most of its operations in the U.S., this stock is in the "sweet-spot" for a Joe Biden green energy stimulus plan.

The stock is yielding an attractive 4%. With this TSX dividend stock investors get a very stable income stream, exposure to secular "green" trends, a prudent organic growth plan, and external levers for upside. All that spells green for the planet and green (cash) in your pocket!

A perfect passive-income stock: Infrastructure

Keeping the infrastructure theme, another TSX dividend stock every Canadian should consider owning is **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP). It is a global investor in infrastructure assets like pipelines, electric transmission lines, midstream processing, ports, toll roads, railroads, cell towers, and data infrastructure.

BIP is a master at acquiring value-priced assets, turning them into cash-generating machines, and then selling them at a substantial profit. It has been doing this for over 10 years. Its 19.3% average annual total return (since 2010) speaks for the quality of this strategy.

As the planet's population grows, infrastructure is increasingly in demand — especially in developing countries. BIP has the global expertise and capacity to invest, manage, and operate assets anywhere. Hence, it is capable to expand its portfolio anytime value-adding opportunities pop up. After the 2020 pandemic, many governments and corporations are increasingly cash strapped. This TSX dividend stock, with $4-5 billion of liquidity, is perfectly equipped to acquire and contract-back these assets.

Likewise, infrastructure is becoming a very attractive asset class for institutional capital. Its highly regulated streams of cash flow provide higher-than-bond yields, at similar default risk. Consequently, BIP should continue to fetch a strong bid into 2021. Currently this TSX stock pays an attractive approximately 4% dividend, but that should easily grow by 5-9% a year. All in all, you get stability, growth, and income in one. To me, it's a recipe for dividend investing success for many years to come!

CATEGORY

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