The 2 Best Canadian Dividend Stocks I'd Buy With $100 for 2021

Description

It's a new year and time to invest in top dividend stocks that are likely to generate steady passive income for 2021. I have a few TSX-listed dividend-paying stocks that I believe are the best ones to buy now. These companies have a long history of dividend payments and have resilient cash flows that continue to drive the payouts. Also, you need only $100 to buy these top Canadian dividend stocks.

Pembina Pipeline

I believe an uptick in energy demand amid large-scale vaccine distribution in 2021 and operating leverage could give a significant lift to the undervalued **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) stock and drive its dividend payment.

Despite the significant disruption from the COVID-19 pandemic, Pembina continued to pay its monthly dividends in 2020, reflecting the strength of its core business and its ability to generate strong fee-based cash flows.

Pembina owns diversified and highly contracted assets that generate robust fee-based cash flows, which handily covers its dividend payouts. The company has maintained and increased its dividends since 1998. Meanwhile, it has raised its dividends at a CAGR (compound annual growth rate) of 4.2% in the last 10 years, reflecting an average annual increase of 9.3% in its earnings.

Notably, Pembina Pipeline expects to generate the majority of its adjusted EBITDA (about 95%) from businesses that do not have direct commodity exposure and are backed by contractual arrangements. Thanks to its strong fee-based income, Pembina's payouts are very safe. Currently, Pembina offers a high yield of 8.3%.

Enbridge

Income investors should consider buying **Enbridge** (TSX:ENB)(NYSE:ENB) stock for 2021. While the recovery in demand for oil and other liquid hydrocarbons is likely to drive its mainline throughput volumes, the continued strength in its core business should continue to drive its dividends.

The pipeline company has recently increased its annual dividend by 3% to $3.34. Meanwhile, it offers a stellar yield of 8.2%, which is pretty safe.

Enbridge owns highly diversified energy infrastructure assets that generate resilient cash flows and support its dividends. Enbridge has paid dividends for over 65 years, has raised them in the past 26 years, and could continue to increase them further, thanks to its robust cash flows and sustainable payout ratio.

The company's continued investment in renewable power and natural gas, transition to a utility-like pipeline business, and strong capital growth program are likely to support its earnings. Meanwhile, cost reductions could continue to drive its profitability and dividends.

Enbridge expects 5-7% annual growth in its DCF (distributable cash flow) per share, which is likely to drive its dividends in 2021.

Final thoughts

Both Enbridge and Pembina Pipeline have been paying and increasing their dividends for a long period. With an expected improvement in demand, both the companies could deliver robust cash flows that could help drive higher dividend payments in 2021.

Investors looking to supplement their passive income should consider buying the shares of these Dividend Aristocrats right now. Meanwhile, investors could use their Tax-Free Savings Account to generate a strong dividend income that is tax-free.

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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