



3 Top Dividend Stocks to Own in 2021

Description

Top dividend stocks took a back seat to tech darlings in 2020, but the situation could change dramatically in 2021.

Warnings of euphoria in certain sectors of the market increasingly dominate the headlines. Tech Initial Public Offerings (IPOs) are partly responsible, while stay-at-home winners also fuelled the 2020 frenzy. At some point the bubble will burst. Savvy investors know this and a flow from tech to high-yield Dividend Aristocrat already appears underway.

It makes sense. Investors can book profits on some of the 2020 winners and put the cash to work in cheap dividend stocks that now offer very attractive yields.

Should Pembina Pipeline be in your portfolio of top dividend stocks?

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a diversified [energy infrastructure](#) player with pipelines, gas gathering and processing facilities, and an export terminals business.

The company grows through acquisitions and organic projects. In the [2021 guidance](#) Pembina Pipeline said it expects to spend \$785 million on capital projects this year. Adjusted EBITDA should be a solid \$3.2-3.4 billion.

The board intends to buy back up to 5% of its outstanding stock over the next 12 months while paying out its attractive dividend. Pembina Pipeline stock trades near \$36 per share. The share price is already up 20% this year, but still appears [cheap](#). More gains should be on the way.

Investors who buy now can get a 7% dividend yield. It wouldn't be a surprise to see Pembina Pipeline retest the 12-month high near \$53 before the end of the year.

Why Power Corporation stock offers the best of both worlds

Power Corp ([TSX:POW](#)) is a holding company with assets primarily focused on insurance and wealth management in Canada. The businesses make good money and Power Corp pays a great dividend. At the time of writing the stock trades near \$31 per share and provides a 5.75% yield.

Aside from the core businesses that include controlling interests in **Great-West Lifeco** and **IGM Financial**, Power Corp has investments in fintech and electric vehicles. Wealthsimple and Lion Electric are the two to watch this year. Wealthsimple continues to carve out a niche with young investors. Lion Electric, a Canadian firm that makes commercial electric vehicles, is a leader in the emerging market for electric school busses. It intends to list on the **NYSE** this year.

These venture capital initiatives give Power Corp investors a great way to bet on disruptor tech stories. At the same time, you get paid a fantastic dividend from the core financial holdings.

Why BCE remains a top dividend stock for investors

BCE is the largest player in the Canadian communications industry with world-class wireless and wireline network infrastructure that provides mobile, internet, and TV services to millions of residential and commercial customers. BCE also owns media assets that include sports teams, a television network, specialty channels, and radio stations. Retail stores round out the mix.

BCE enjoys a wide competitive moat and has the financial firepower to protect the fortress. The firm continues to expand its network while delivering new high-demand services. The rollout of 5G networks, for example, should boost revenue opportunities in the coming years.

BCE currently benefits from low borrowing costs to fund capital projects. Reduced debt costs free up cash for dividends. Low rates on GICs make BCE stock more appealing. With BCE widely considered one of Canada's leading dividend aristocrats the 6% yield is very attractive for conservative investors.

BCE trades near \$55 per share. That's down from \$65 before the pandemic, so investors have a shot at great upside with a reliable dividend stock that isn't directly impacted by geopolitical or financial volatility beyond the Canadian border.

The bottom line

Pembina Pipeline, Power Corp, and BCE offer above-average yields and should be top dividend stocks for investors in 2021. All three appear cheap today, providing good upside opportunity along with the high dividend yields.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:POW (Power Corporation of Canada)
3. TSX:PPL (Pembina Pipeline Corporation)

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