Top Dividend Picks for Passive Income Investors

Description

The coronavirus disease 2019 (COVID-19) pandemic has hit the portfolios of many Canadian passive income investors. The socio-economic crisis caused many dividends to be pressured. Some dividends were stretched to their breaking points, and others could follow should COVID-19 variants spark further waves of strict lockdowns.

In this piece, we'll have a look at three attractively-valued dividend picks that I believe possess dividends that will remain intact through this horrific crisis. Without further ado, consider **BCE** (TSX:BCE)(NYSE:BCE), **Telus** (TSX:T)(NYSE:TU) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY), three blue-chip darlings that can be relied upon for their handsome payouts.

BCE

BCE stock has been punished harshly by investors amid the COVID-19 pandemic. Although the dividend has been stretched (shares currently yield 6.1%) over pandemic-induced sales pressures, I still think the telecom behemoth will be among the first to come roaring back once things return to normal.

Yes, the payout ratio is likely to expand further over the near-term. Still, I do not see the Dividend King bringing its rich payout to the chopping block, given its rich history of rewarding shareholders through difficult times. Once we return to normalcy, I suspect the appetite for mobile (and roaming) data will surge above (or maybe even higher) than 2019 levels. With a 5G boom to look forward to over the next four years or so, BCE remains one of my top contrarian income picks for investors with long-term investment horizons.

Over the last 11 years, BCE has hiked its dividend by at least 5%, making BCE a wonderful long-term investment in a low-interest-rate environment.

Telus

Sticking with the telecom theme, we have shares of Telus, which currently sports a 4.7% yield. The company has done a remarkable job of holding its own through the COVID-19 crisis.

The lack of a media division certainly helped Telus better weather the storm compared to the likes of its peers. Still, one must not discount management's abilities. Telus was not only navigating through the coronavirus typhoon, but the company also did a stellar job of gaining ground on its competitors, most specifically with its wireline business.

While Telus stock may not be the cheapest of the Big Three, it most certainly has shown the most strength in trying times. As such, I wouldn't hesitate to recommend the name ahead of the much-anticipated Telus International Initial Public Offering (IPO).

Royal Bank of Canada

Last but not least, we have Royal Bank of Canada, a top-performing Canadian bank stock that, like Telus, is well worth a premium to the peer group. Shares of RY sport a mere 4% yield, making it one of the less bountiful Canadian bank stocks to own at this juncture. What the name lacks in yield, it more than makes up for with its terrific management team and its high quality of earnings.

Amid the pandemic, management did an impeccable job of managing costs. The big bank has been posting robust credit numbers, and the capital markets business has continued to be a major source of strength.

At around two times book value, Royal Bank of Canada is an expensive stock versus the likes of its peers, but it's expensive for a reason. I'd encourage long-term investors to pay the premium price tag for a bank that I believe could be worth an even heftier premium once the banks have a chance to make up for lost time.

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1. Dividend Stocks
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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
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