New Investors: 3 Canadian Dividend Stocks for a Safe 4% Yield

Description

Interest rates are low. So, it would be wonderful to be able to boost your passive income with solid dividend stocks.

In case you don't know this already, it's probably in your best interest to avoid the highest-yielding dividend stocks. There's a reason the market is commanding high yields on these stocks. They could cut their dividends or have below-average growth. You want to avoid both scenarios if possible.

Dividend stocks that offer yields of 3-4% are usually pretty safe, especially if they tend to *increase* their dividends over time.

GICs secure your principal, but their returns are low, especially in today's low interest rate environment. Right now, the best five-year GIC rate is 1.8%. Stocks are riskier but can result in much greater income and total returns if you buy solid stocks at good valuations and invest for the long haul.

On a 1.8% income, a $10,000 investment will grow to $11,953 in 10 years. On a 4% income, the result is $14,802. Importantly, it's much more likely that quality stocks will appreciate over a 10-year timeframe. So, no matter what, you will get greater returns, in the long run, through the following stocks versus GICs by stomaching volatility.

Here are three Canadian dividend stocks you can get safe yields of 4% from.

RBC stock

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of the leading banks in Canada. Additionally, the quality bank is diversified across businesses and geography, which leads to resilient earnings through the economic cycle.

In fiscal 2020, RBC stock's earnings were diversified as follows: 45% from personal and commercial banking, 24% in capital markets, 19% in wealth management, 7% in insurance, and 5% in investor and treasury services. Its revenue was sourced from Canada (59%), the United States (25%), and other geographies (16%).

Consequently, RBC securely reported net income of more than $11 billion since 2017 with returns on equity of at least 14%.

Right now, you can buy this wonderful business at a fair price of about $108 per share for a yield of roughly 4%.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock is one of the oldest Canadian Dividend Aristocrats. It tirelessly increased its dividend for 47 consecutive years with a compound annual growth rate of 5.6% in the past 10 years.

Over the years, the regulated utility has expanded to be diversified across 10 utility operations, including electric and gas utilities in Canada, the Caribbean, and the U.S., as well as an invaluable independent electric transmission business in the U.S.

Fortis made the smart strategic decision to begin investing in the U.S. in 2012 when the greenback was weak against the loonie. About 55% of its five-year $19.6 billion capital plan is in the U.S.

This capital program will help drive Fortis's intended dividend growth of about 6% per year through 2025. Since 85% of this capital plan is made up of small projects, there's little uncertainty in Fortis's growth outlook.

Fortis stock has traded sideways for almost a year since the recovery from the pandemic market crash low in March 2020. So, it's not a bad time to pick up some shares for a secure dividend that's protected by predictable earnings and a payout ratio of about 75%.

Another Canadian dividend stock you may like

As an industrial REIT, **Granite REIT** (TSX:GRT.UN) has been a beneficiary of the pandemic. It hasn't reported its Q4 2020 results yet, but its funds from operations per unit are estimated to climb approximately 10% in 2020.

Going forward, Granite REIT will continue to be a resilient dividend investment with a diversified portfolio of about 100 income-producing properties.

It's still expanding its portfolio. As of late 2020, it had three properties under development and four pieces of land for future development.

Analysts estimate that both Granite REIT and Fortis have about 13% upside potential over the next 12 months, which means they're both decently valued for purchase.

The Foolish takeaway

RBC stock, Fortis stock, and Granite REIT are some of the safest dividend stocks you can buy and hold on the **TSX**. Presently, they offer nice yields of about 4%.

Quality stocks tend to rise over time, but stocks are innately volatile. So, it'd be best to have an investment horizon of at least three to five years if you plan to take a position in these stocks.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:GRT.UN (Granite Real Estate Investment Trust)
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