2 Top TSX Stocks With Rock-Steady Dividend Payouts

Description

Are dividends stocks better than growth stocks? The issue is debatable, because some investors prefer capital appreciation, while others need steady income streams. For long-term investors and retirees, the top source of passive income is dividend stocks. Established dividend payers are the assets you can buy today and leave alone for decades.

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On the TSX, you can derive rock-steady dividend payouts from two outstanding companies. You can buy shares of **Canadian Utilities** (TSX:CU) and **Fortis** (TSX:FTS)(NYSE:FTS) and hold them practically forever. Likewise, both have increased their dividends by nearly 50 consecutive years.

Dividend-growth champion

Canadian Utilities energize homes, businesses, and industries. The $9.22 billion company is 94 years old and caters to two million global customers. It offers comprehensive solutions in energy infrastructure and retail energy. The utility business unit engages in the distribution and transmission of electricity and natural gas.

The energy infrastructure business unit takes care of electricity generation and storage & industrial water. Canadian Utilities's third business unit, retail energy, provides natural gas and electricity services to customers at competitive rates in the jurisdictions it operates.

If you were to invest today ($33.76 per share), the utility stock pays a 5.21% dividend. The company has increased its dividends every year since 1972. Cash flows are recurring and stable since 95% of earnings come from regulated sources. Long-term contracted assets contribute the remaining 5%. It tells you why the dividend-growth streak is unbroken.

The key takeaways for Canadian Utilities are that it's an **ATCO** company (52% ownership), and the scale of operations is global. Furthermore, a business that delivers essential services is enduring, so your income stream should be everlasting.

A bond-like investment

Fortis pretty much possess all the defensive qualities that risk-averse investors and retirees need from an income stock. Many investors liken the $25.72 billion utility company to bonds. The only difference is the higher dividend yield. At $54.86 per share, the corresponding dividend yield is 3.71%.

This defensive all-star trails Canadian Utilities by two years in terms of the dividend-growth streak. Over the last 20 years, Fortis's total return is 1,078.71% (13.12% CAGR). Other plus factors include the highly regulated, low-risk, and diversified utility businesses. The cost-of-service regulation determines earnings in tandem with performance-based rates in some jurisdictions.

Fortis ranks among the top 15 utility companies in North America. The company operates in 17 key markets throughout Canada, the U.S., and the Caribbean. The jurisdictions in America contribute more than 60% of earnings. Its extensive infrastructure delivers cost-effective energy to residential and business customers.

With a $19.6 billion five-year capital plan, the $30.2 billion rate base in 2020 should increase to $40.3 billion by 2025. This estimate is significant, because an increased rate base will support earnings and dividend growth even more. If plans go well without hitches, management could raise dividends by 6% annually through 2025.

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Cream of the crop

Assuming you initiate a $25,000 position in each stock, the average dividend yield is 4.46%. Your $50,000 will generate $2,230 in yearly passive income. If you keep reinvesting the dividends, the capital will compound to $148.840.30 in 25 years. The dividend payouts from both dividend all-stars plus pension payments can sustain you for life. Canadian Utilities and Fortis are the TSX's cream of the crop.

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1. Dividend Stocks
2. Investing

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