5 TSX Stocks Paying More Than 5% Dividend

Description

Are you a person who doesn't mind having lower but safe returns? With interest rates near-zero, you have little motivation to invest in fixed income. Moreover, you have a $6,000 contribution limit on your Tax-Free Savings Account (TFSA). Then why not lock over 5% yield with five dividend stocks. And some of these dividends will also increase annually.

Enbridge stock

Enbridge (TSX:ENB)(NYSE:ENB) is a name with 60+years of dividend history. It has been increasing its dividend at a 10% compounded annual growth rate (CAGR) for the last 26 years, even during the 2009 Financial crisis and the 2014 oil crisis. In 2021, it increased its dividend per share by 3% even though low oil demand impacted its revenue. Its overall cash flow grew as strength in natural gas offset the oil weakness.

As the economy recovers and oil demand surges, Enbridge could see an increase in its oil revenue. It also has some ongoing pipeline projects that could add to its cash flow and increase future dividends. Buy the stock while it is still trading at a 15% discount from the pre-pandemic level and lock in a 7.2% dividend yield.

TC Energy stock

Walking on similar lines as Enbridge is **TC Energy** (TSX:TRP)(NYSE:TRP), a natural gas pipeline operator. Its stock is trading at a 20% discount from the pre-pandemic level as it is becoming increasingly difficult to build more pipelines due to environmental issues. Its Keystone XL pipeline project is stuck because US President Joe Biden canceled the project. Both TC Energy and Enbridge believe that restrictions in building pipelines will make their existing infrastructure more valuable in transporting natural gas and other low carbon fuels.

As long as TC energy can monetize on its infrastructure, it will give dividends. It has been growing its dividend at a 7% CAGR since 2000 and plans to maintain this growth. Its current dividend yield is 5.88%.

BCE stock

Don't put all your investments in one sector. Diversify with telecom giant **BCE** (TSX:BCE)(NYSE:BCE), which enjoys steady cash flow from subscriptions. It has been paying dividends since 1983 and increasing them at a compound annual growth rate (CAGR) of 8% for the last 12 years. The company is investing aggressively in expanding the 5G footprint. The 5G opportunity is bigger than the 4G as the former would connect everything from drones and cars to the internet. The 5G could bring in higher cash flows, bringing higher dividend growth in the 2030 decade.

This is a good time to buy BCE stock as it is trading at a 9% discount from its pre-pandemic level and has a dividend yield of 6%.

Canadian Utilities

Canadian Utilities (TSX:CU) is another dividend stock that is monetizing on the infrastructure it built over the years. Operating for 94 years, Canadian Utilities generates, stores, transmits, and provides electricity in several regions of Canada. It also transmits natural gas through its pipelines. As an essential service, the utility rarely has a demand shortage. The electricity demand is never-ending, and the company keeps expanding its infrastructure. This increases its cash flows and, therefore, its dividends.

Canadian Utilities has a 48-year history of paying incremental dividends. In the last 10 years, its dividend CAGR was 8%. The stock is currently trading at a 17% discount from its pre-pandemic level, which has increased its dividend yield to 5.09%.

SmartCentres REIT

Unlike the above stocks, **SmartCentres REIT** (TSX:SRU.UN) has not paid incremental dividends. But it has been paying regular dividends for over a decade from the rental income it earns from retailers. The pandemic-driven lockdown impacted its rent collection as many retailers closed down. But with a tenant like **Walmart**, it managed to maintain its dividend rates even when other retail REITs announced dividend cuts.

SmartCentres REIT has a 6.58% dividend yield as the stock still trades at a 13% discount from the pre-pandemic level.

Investor takeaway

If you invest $1,000 each in the above five stocks, you will earn $307.7 in annual dividend, which comes to 6%. If four of these stocks increase dividends at a 5% CAGR, your income will grow to $441 by 2030, which comes to 8.8%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Personal Finance

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:BCE (BCE Inc.)
5. TSX:CU (Canadian Utilities Limited)
6. TSX:ENB (Enbridge Inc.)
7. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
8. TSX:TRP (TC Energy Corporation)

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