The Best Canadian Dividend Stocks to Buy Right Now

Description

Dividend stocks are perceived to be dull and slow-moving. However, even if they are slow-moving, they generally outperform broader markets in the long term. As broad market indices dawdle around their peaks, it could be a prudent time to rebalance your defensive exposure. Here are some of the best Canadian dividend stocks investors can consider for the long term.

Canadian Utilities

One of the top utility stocks, **Canadian Utilities** (TSX:CU), has the longest dividend-increase streak in the country. It has managed to grow its dividends for the last 49 straight years. Such a long payout history certainly indicates reliability and stability. Notably, the company expects to raise dividends by 5% annually for the next few years.

Utilities' earnings visibility mainly drives their dividend payments. Canadian Utilities has vast regulated operations, which earn stable cash flows, ultimately fueling shareholder payouts. Utilities distribute a large chunk of their earnings as dividends to shareholders, which is called a payout ratio. Canadian Utilities has a five-year average payout ratio of 76%.

CU stock currently yields 5%, higher than TSX stocks at large. Its above-average yield and dividend-growth visibility make it an attractive stock for income-seeking investors. Stocks like CU generally deliver stable returns in all economic scenarios because of their stable, low-risk operations.

Pembina Pipeline

If you are looking for a higher yield, consider **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), which yields 6.6% at the moment. It is a $21 billion energy pipeline company and pays consistently growing dividends. Pembina has increased its dividends since 1998.

Pembina generates 94% of its earnings from fee-based contracts, and a majority of them are with investment-grade counterparties. These low-risk operations enable stable earnings and dividends for investors.

PPL stock has returned more than 60% since the epic crash in 2020. PPL looks attractive, mainly because of its discounted valuation and a decent dividend yield compared to peer pipeline stocks.

Toronto-Dominion Bank

Banking as a sector has a relatively higher correlation with broad markets. However, **Toronto-Dominion Bank** (TSX;TD)(NYSE:TD) currently offers a better risk/reward proposition compared to peer Big Six Canadian banks. It has superior credit quality, with its common equity tier-one ratio of 13.6%, much higher than peers. The ratio shows the bank's financial capability to withstand a severe economic shock.

Apart from the financial strength, TD Bank's stable dividend profile is attractive for income-seeking investors. It yields 3.6% at the moment, which is in line with peers. The Canadian banking regulator barred banks from raising dividends last year to protect their financial strength amid the pandemic. Once Canadian banks are allowed to raise dividends, banks like TD can distribute reserves among shareholders through higher dividends or buybacks.

TD Bank will release its fiscal Q2 2021 earnings next week. Apart from the financial growth, its credit position and management commentary could be some of the vital indicators for the stock.

Bottom line

Investors emphasize more on growth and overlook portfolio stability. These three stocks might underperform growth stocks in the short term. But they generally remain resilient in market downturns and offer decent return potential.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

Date
2025/08/19
Date Created
2021/05/21
Author
vinitkularni20