2 Top Dividend Stocks to Buy in Canada

Description

The **Toronto Stock Exchange** (TSX) continues its rally in May 2021, despite numerous drumbeats that a stock market correction is coming. Still, buying opportunities abound, especially for investors looking for the top dividend stocks in the post-COVID economy.

Some market observers even believe that dividend payments may rise, as the economy recovers from the pandemic. Corporate balance sheets and free cash flows should improve due to the vaccine rollout and government stimulus. Now is an excellent time to go dividend investing and own two of TSX's top income stocks.

Impending merger

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is a superior choice, because it will grow bigger and become the country's second-largest largest telecom firm soon. The $31.15 billion diversified communication and media company will take over **Shaw Communications**.

The resistance to the merger from critics and consumer groups say Canada needs more, not fewer, industry players. However, Rogers's CEO Joe Natale said the government should allow the business combination to concentrate on building a new generation of networks.

Meanwhile, Shaw's CEO Brad Shaw told lawmakers the company isn't big enough to invest billions of dollars in building a competitive 5G network. According to Natale, Rogers boasts the largest national wireless service, although it needs to get bigger to become more competitive by growing and updating its networks.

Rogers and Shaw announced the $26 billion merger deal on March 15, 2021, and expect to obtain regulatory and government approval by early 2022. If you were to invest today, the share price is $61.49. Rogers pays a decent 3.25% dividend. While the yield is relatively lower than its industry peers, there's ample room for dividend growth in the future.

Instead of raising dividends in the last decade, Rogers deployed its funds toward debt repayments and capital investments. The company's total investments in wireless networks are over the past 35 years is more than $30 billion. Because of the proposed merger, analysts see a potential upside of 30% to $80.

Rock-solid dividends

Manulife Financial (TSX:MFC)(NYSE:MFC), one of the world's top 10 insurers, is a rock-solid income stock. At $24.82 per share, the $48.2 billion company pays a generous 4.5% dividend. This Dividend Aristocrat has raised its dividend over the last five years at an 11% CAGR per annum clip. Canada's largest life insurance company is well established globally, although there should be further growth from Asia and technology initiatives.

Management also plans to expand its distribution network. Besides the lucrative Asian market, group insurance in Canada and Global WAM (wealth asset management) will comprise the core earnings next year. All three are high potential businesses. Demand for its products is robust, notwithstanding the health crisis. It's evident from the accelerating growth in Asia and Global WAM businesses.

Manulife doesn't need external funds to sustain operations. Its diverse businesses generate substantial cash flow. Management's primary focus is to continue the organic and inorganic initiatives to optimize the insurer's legacy portfolio. The company also stands out, despite the highly competitive financial services market (insurance and non-insurance). Fintech companies and insurtech firms also pose serious challenges to the 134-year-old life insurer.

Less-volatile dividends

Rogers Communications and Manulife are attractive options in the post-pandemic world. Dividend investors can generate recurring income streams or build wealth. Given the nature of the businesses, dividend payouts should be safe and less volatile.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:RCI.B (Rogers Communications Inc.)

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