4 Top Dividend Stocks to Buy Under $40

Description

Are you searching for four gifts to buy under $40? Some good options include a Bluetooth speaker or a rechargeable hand warmer for the winter. But if you are looking for some good investment options under $40, here are four stocks that will also pay you dividends.

A utility stock

The beauty of dividend stocks is they enjoy regular cash flows. Think about what you'll pay for, even when you are broke. One thing that comes to my mind is electricity. And with the number of gadgets increasing, electricity use will only increase.

Canadian Utilities (TSX:CU) has energy infrastructure that provides electricity to Saskatchewan and Alberta and some areas of Australia, Chile, and Mexico. It has natural gas storage and pipeline infrastructure and industrial water facilities as well. Electricity prices have only surged, and so have dividends of CU. The stock has been paying incremental dividends for 49 years, making it a must-have in your dividend basket.

Currently trading at $35.15, the stock offers a 5% dividend yield. If you speak in dollar terms, your $100 investment will fetch you $5 annually.

A communications stock

Telus (TSX:T)(NYSE:TU), along with **BCE** and **Rogers Communications**, controls more than 90% of the communications market. Among the three, Telus is the most affordable stock, trading at $27.5 and offering a dividend yield of 4.6%. Like the other two, Telus earns revenue from the wireless and wireline business.

But Telus's growing digitization business focused on healthcare could bring in a new revenue stream. That is good news for dividend seekers, as Telus has been increasing its payouts at a compounded annual growth rate of 12.6% for the last 10 years.

Real estate stocks

Another dividend stock in the budget is **SmartCentres REIT** (TSX:SRU.UN), and it's also recommended by Motley Fool Canada. This retail REIT enjoys 25% of its rental revenue from **Walmart**. Walmart played a major role in keeping SmartCentres from cutting dividends during the pandemic.

While Walmart is its strength, it is also its weakness. Imagine if Walmart cancels its lease with SmartCentres; that might come as a big blow. But that is the worst-case scenario. SmartCentres is expanding its portfolio to include properties like apartments, condos, seniors' residences and hotels.

SmartCentres stock is trading under $30 and has been paying regular monthly dividends for over 15 years. Unlike the above two stocks, SmartCentres has not increased its dividend payouts significantly. But its high dividend yield of 6.21% compensates for that.

Another retail REIT is **RioCan** (TSX:REI.UN). It has an affordable price of $22.04 and a 4.36% dividend yield. Like SmartCentres, RioCan also has significant exposure to retail properties. However, none of its tenants account for more than 4% of its rental income. RioCan prefers a diversified merchant base after some of its largest tenants exited, thereby affecting its income in the past. The pandemic forced RioCan to slash dividends by 33%. But this opens an opportunity to increase dividends as the business resumes normalcy.

Final thoughts

You can add all the above four stocks to your portfolio for around $115 and secure an average annual dividend of $5.8. You can use this dividend to buy some high-growth stocks that are risky but have the potential to double your money in two to three years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
5. TSX:T (TELUS)

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Date
2025/07/17
Date Created
2021/06/28
Author
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