3 Top Dividend Stocks for Your Portfolio

Description

Dividends are a way that companies can pay shareholders for holding their stock. By accumulating shares of dividend-paying companies, investors can sustainably supplement their income. Investors with greater amounts of capital, or those that have been investing for a longer period, may even be able to replace their entire income, allowing them to have a relaxing and comfortable retirement. In this article, I will discuss three top dividend stocks investors should consider adding to their portfolios.

A prolific dividend payer

When investors scan the market for dividend stocks, they often focus on the dividend yield. Although a company's yield can be important, it shouldn't be a high priority in deciding which companies to invest in. One metric that dividend investors should consider instead is a company's dividend-growth streak. As it suggests, this is a measure of how many consecutive years a company has been able to increase its dividend distribution. The most exceptional companies are known as Dividend Aristocrats.

Fortis (TSX:FTS)(NYSE:FTS) is one of the most well-known Canadian Dividend Aristocrats. The company has successfully increased its dividend distribution over the past 47 years. That represents the second-longest active dividend-growth streak in Canada. This means that Fortis has not only navigated market downturns, such as the 2000 Dot-Com Bubble, The Great Recession, and the COVID-19 pandemic, but it has managed to come out of those events unscathed. Fortis can do this, because it operates an essential business. Society will continue to use gas and electric utilities regardless of the economic condition.

A dividend company with untapped growth potential

Sometimes, dividend companies come with hidden growth potential. Take **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) for example. The company is well-known for its positioning within the Canadian financial sector as being one of the Big Five. However, many investors aren't aware that the company is a leader within the Pacific Alliance. This is a region that includes countries such as Chile, Columbia, Mexico, and Peru. Economists estimate that this region will grow at a more rapid pace than the G7 over the next few years.

If this growth comes to fruition, investors could be sitting on massive potential. In fact, Bank of Nova Scotia stock has gained nearly 20% year to date. Over the past year, Bank of Nova Scotia stock has increased nearly 45%. This growth rate greatly exceeds the company’s average annual return. However, it speaks to the potential returns that Bank of Nova Scotia offers.

A dividend company more impressive than top growth stocks

In a rare scenario, investors will be able to find a true Dividend Aristocrat with a stock that seems to be shooting for the moon. That’s exactly what investors have found in **goeasy** (TSX:GSY). The company operates two business segments. The first is easyfinancial, which offers high-interest loans to subprime borrowers. The company’s second business segment is easyhome, which sells furniture and other durable home goods on a rent-to-own basis. These two business segments have thrived over the past year due to the COVID-19 pandemic.

As a result, goeasy stock has gained 203% over the past year. Looking back at its five-year performance, goeasy stock has achieved a staggering 810% return. But this article is about dividend companies, so let’s take a look at its dividend metrics. goeasy has managed to increase its dividend distribution in each of the past seven years. Over that period, the company’s dividend has increased 776%! Even more impressively, goeasy’s dividend-payout ratio stands at 13.87%. This suggests that the company has ample room to continue growing its distributions over the coming years.

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4. TSX:FTS (Fortis Inc.)
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