Want a Raise? Get a Raise From Dividend Stocks Every Year!

Description

Statistics Canada indicated that from 2007 to 2019, Canadians' median income increased from $33,300 to $37,800. That's a growth rate of 1% a year, which doesn't even beat the long-term targeted inflation rate of 2%.

It goes to show that we can't rely on a raise from our jobs. Instead, we must take this into our own hands. Get a raise every year from dividend stocks!

What you should know about dividend stocks

Investors should know that dividend stocks aren't obligated to pay dividends. They must only pay dividends that they have declared. Typically, companies only declare their upcoming dividend.

For example, **Bank of Montreal** declared a quarterly dividend of $1.06 per share on May 26 that's payable on August 26 for investors who own shares on August 3. Consequently, the bank could choose not to declare and pay dividends after that.

That's not going to happen, though. The bank is a Canadian Dividend Aristocrat that tends to increase its earnings over the long haul and maintain a sustainable payout ratio to protect its dividend.

Top Canadian dividend-growth stocks

The Canadian Dividend Aristocrats are a group of dividend stocks that tends to increase their dividends every year. Here are some of the top dividend stocks on the list with the best dividend growth recently.

Over the last forty years, **Alimentation Couche-Tard** (TSX:ATD.B) has grown primarily through acquisitions and integrations of convenience stores, which mostly have roadside fuel retail. It is a truly global company with about 14,200 stores in 26 countries or territories.

Historically, it has grown 70% through M&A and 30% organically. On its failed attempt to acquire French grocery chain Carrefour, the dividend-growth stock was initially punished with a sell-off to the $38-per-share level early this year.

Although M&A will still play an important role in its growth, during its investor day presentation on Wednesday, Couche-Tard demonstrated that organic growth could contribute to 60% of its growth.

The dividend stock has a five-year dividend growth rate of nearly 22%. Although the stock popped about 6% after the investor day, it still has about 39% near-term upside. It's a rare value opportunity for dividend growth in this expensive stock market.

Enghouse Systems (TSX:ENGH) could be another great addition for portfolios seeking income growth. The tech company also grows from M&A and organically. It's diversified in providing solutions to engage customers (e.g., video interaction, contact centre, etc) and to enable network and digital transformation for 5G operators.

Don't look down on the tech stock's 1.1% yield. In the last five years, the dividend stock has increased its dividend by approximately 19% per year on average. ENGH stock shares bought with an initial yield of 1.2% in 2007 now have a yield on cost of almost 16%. So, an initial investment that earned an income of $100 originally would earn $1,576 this year!

Food for thought

The two dividend stock examples discussed earlier focus on dividend growth. Their growth could ultimately lead to incredible price appreciation and massive dividend income in the future. You can also consider other solid dividend stocks that pay better yields of 2-7% right now.

Notably, stocks do occasionally get kicked out of the Canadian Dividend Aristocrat list if they cut their dividends. So, don't blindly invest in dividend stocks on the list. Look for great companies with sustainable payout ratios and long-lasting growth in earnings or cash flow.

The Foolish investor takeaway

Your job is a wonderful source of income. It's great if you get a raise, but you don't have to rely on it to get raises. It should be empowering to know that by investing in a basket of quality dividend-growth stocks, you can secure dividend income growth every year!

CATEGORY

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TICKERS GLOBAL

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