The 3 Best Low-Risk Income Stocks to Buy Right Now

Description

If you are nearing retirement or just looking for a stable inflow of income, consider adding a few low-risk and high-quality dividend stocks to your portfolio. Top dividend stocks are relatively stable, generate strong earnings, and consistently enhance shareholders' value through higher dividend payments. But before making an investment decision, look for the earnings growth potential of dividend-paying companies. Equally important is the payout ratio of the companies, which should be sustainable in the long run.

I have shortlisted **Canadian Utilities** (TSX:CU), **Bank of Montreal** (TSX:BMO)(NYSE:BMO), and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) stocks to generate a regular inflow of cash. These companies have a low-risk and diversified business and have consistently paid dividends for a very long period. Also, they offer attractive yields and have a sustainable payout ratio.

Canadian Utilities

First on my list is Canadian Utilities, which has the longest record of raising its dividends and generating a steady income for its investors. This utility giant has increased its dividends for 49 years in a row and looks well positioned to continue to boost its shareholders' returns through higher dividend payments in the coming years. Further, its payouts are safe and sustainable in the long term. Currently, it offers a safe dividend yield of over 5%.

Canadian Utilities has solid earnings potential owing to its high-quality, regulated assets that support its payouts. I believe the company's continued investment in rate-regulated assets, contractual arrangements, recovery in its energy infrastructure business, and cost-savings initiatives provide a solid foundation for future earnings and dividend growth.

Bank of Montreal

Bank of Montreal is another stock known for its long dividend payments history, reflecting its stellar earnings growth. Notably, the bank has consistently paid dividends for 192 years and yields about 3.5% at current price levels. Bank of Montreal expects its earnings to grow by 7-10% in the coming years, implying that its dividend would grow at a decent pace.

I expect Bank of Montreal's profitability to continue to improve in the coming quarters, which could further drive its dividend and support the uptrend in its stock. The bank's diversified revenue model, reduction in credit loss provisions, improving loan and deposit volumes, and tight expense management are likely to drive strong growth in its bottom line. Meanwhile, I believe the economic expansion and recovery in consumer demand could provide a solid platform for future growth. Moreover, its valuation looks within reach, as it is trading at a price-to-book value multiple of 1.5, which is well below most of its peers.

Pembina Pipeline

Pembina Pipeline is another stock that should be in your portfolio. It has regularly paid a monthly dividend for a very long period and currently yields at 6.5%. Notably, the energy infrastructure giant has distributed over $9 billion in dividends since its inception and raised it annually by about 5% in the last decade. Further, its payouts are safe thanks to its highly contracted business and diversified assets that generate stable fee-based cash flows.

I believe its contractual framework, exposure to multiple commodities, improving energy demand, and higher volumes and pricing are likely to drive its future profitability and cash flows. Further, the company's new growth projects and strong expense management will likely support future dividends. Pembina Pipeline's valuation also looks attractive, as it trades at a lower EV/EBITDA multiple of 10.7 compared to its peers.

CATEGORY

1. Bank Stocks
2. Coronavirus
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:PPL (Pembina Pipeline Corporation)

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Date
2025/08/13
Date Created
2021/07/20
Author
snahata