The 3 Best Dividend Stocks I'd Buy With $500

Description

If you are an investor who expects to generate a regular cash inflow, even during the down years, consider buying dividend stocks. While many TSX stocks pay dividends, only a few are worth investing in.

So, if you have got $500, consider buying stocks like **Enbridge** (TSX:ENB)(NYSE:ENB), **Fortis** (TSX:FTS)(NYSE:FTS), and **Canadian Utilities** (TSX:CU). These Dividend Aristocrats have businesses that consistently generate solid earnings and cash flows. Furthermore, their payouts are safe and sustainable in the long run.

Enbridge

Enbridge is among the most reliable stocks for income investors and offers a high yield. It has regularly paid dividends for over 66 years. Meanwhile, Enbridge has raised its dividend at a CAGR of 10% over the last 26 years. It currently offers a high yield of about 6.9% and has a sustainable dividend payout ratio of 60-70% of its DCF (distributable cash flows). Thanks to its resilient cash flows, Enbridge projects to deliver an average annual total shareholder return of 13% in the future years, which is encouraging.

I believe Enbridge remains on track to reward its shareholders through a higher annual dividend. Enbridge's diversified cash flows, take-or-pay contractual arrangement, cost efficiencies, and productivity savings are likely to drive its future earnings and dividends. Also, its $17 billion secured capital program is expected to generate about $2 billion of incremental EBITDA annually. Further, continued momentum in the gas and renewable power business, recovery in mainline volumes, and improving energy demand position it to deliver strong financials and are likely to support its payouts.

Fortis

Fortis is another top-quality dividend play for income investors. Further, its low-risk business adds stability to one’s portfolio. Notably, Fortis’s dividend has grown in each of the past 47 years. Moreover, it expects its dividend to increase at an average annual rate of 6% through 2025.

Fortis pays a quarterly dividend of $0.505 a share and offers a decent yield of 3.6%. Fortis’s dividend payments are supported by its highly contracted and regulated assets and growing rate base. Its high-quality assets deliver predictable cash flows, adding visibility over its future payouts. I expect the growth in its rate base, continued investments in renewable power and infrastructure, and strategic acquisitions will provide a strong underpinning for future dividend growth.

Canadian Utilities

Canadian Utilities is a must-have dividend stock for investors looking to generate a steady income. Notably, this utility company has a record of raising its dividend for the longest period (for 49 consecutive years) among all the publicly traded Canadian companies and currently offers a healthy dividend yield of over 5%. Further, its payouts are very safe and sustainable in the long term.

Canadian Utilities derives its earnings from the rate-regulated and contractual assets, which positions it well to deliver higher dividend payments consistently. Further, Canadian Utilities’s continued investment in the rate-regulated assets provides a solid foundation for stellar earnings and dividend growth. The company’s high-quality asset base, contractual framework, improvement in its energy infrastructure business, and cost efficiencies bode well for future growth.

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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:ENB (Enbridge Inc.)
5. TSX:FTS (Fortis Inc.)

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