Got $500? 3 Canadian Dividend Stocks to Buy for Income

Description

If you have an extra $500, consider buying these three solid Canadian dividend stocks to help you generate more income. They provide an above-average yield and have the foundation for future dividend growth.

Enbridge stock

One great thing about **Enbridge** (TSX:ENB)(NYSE:ENB) stock is that you don't need stock price appreciation to generate a decent return from its big dividend. The defensive Canadian Dividend Aristocrat provides a sustainable yield of 6.8%. It's hard to beat that yield in today's low-interest-rate environment.

The scale of the large energy infrastructure company is also second to none in North America. Its wide network of oil and gas pipelines and energy storage assets across the continent generates a highly predictable cash flow. Coupled with a sustainable payout ratio, income investors can enjoy a secure income for years to come.

Although you don't require the cooperation of the stock price to generate a good return from the big dividend stock, the ENB stock price will likely grind higher over time with dividend growth, as it has in the last 25 years. Assuming a growth rate of about 3%, the income stock can deliver estimated long-term returns of approximately 10%.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock offers a good balance of income and growth. It provides an initial yield of 3.6% that will soon grow by 6%. In fact, the growth of the regulated utility is so predictable that management projects a dividend growth rate of 6% on average through 2025. This would result in a forward yield of 4.8% by the end of the period. Along with dividend growth comes steady price appreciation as well, resulting in total returns of close to 10%.

The regulated electric and gas utility is transforming to a low-carbon footprint. Its 6% DGR will be supported by a multi-year capital plan of $19.6 billion, comprising low-risk projects. This should also result in a rate base growth of 6% per year through 2025. About 66% of the projects are in traditional distribution and transmission assets that should generate stable business performance results.

Manulife stock

Manulife (TSX:MFC)(NYSE:MFC) stock is a good option for income as well. It offers a safe yield of almost 4.7%, which is boosted by its latest pullback to about $24 per share. Low-interest rates are not a good operating environment for the company. When rates move higher in the future, it will help push the stock higher.

In any case, Manulife stock is relatively cheap compared to the industry and especially to the expensive market. Its long-term earnings-per-share growth rate should be about 8%. Therefore, it can grow its dividend by about 8% as well. However, it trades at a blended price-to-earnings ratio (P/E) of only about eight, while its forward P/E is estimated to be even lower.

Manulife's annualized payout is $1.12 per share. This equates to a safe payout ratio that's estimated to be roughly 35% this year.

More food for thought

While these Canadian dividend stocks are trading at good valuations, it doesn't mean they can't pull back further. If you like their income, buy some shares today and leave some cash to ease in later.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:ENB (Enbridge Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. kayng

Category

1. Dividend Stocks
2. Investing

Date
2025/08/30
Date Created
2021/07/27
Author
kayng