



3 Top Dividend Stocks to Buy in August 2021

Description

Dividend investing is a very popular strategy among Canadians. However, many still fall to the [same dividend traps](#). With that said, it can be difficult for individual investors to determine which companies are best to include in their portfolios. In this article, I'll discuss three top dividend stocks in Canada. All three are Dividend Aristocrats and could help you reliably compound returns. Including these three companies in a well-diversified portfolio could help you achieve financial independence.

Renewable energy is increasing in prevalence

Growth and dividend investors alike should consider investing in companies that are riding major secular trends. Doing so will help provide companies with momentum, helping ensure their business remains relevant in the years ahead. Currently, one of the biggest secular trends is the shift towards [renewable energy](#). In fact, clean tech was one of the biggest focuses in Joe Biden's presidential campaign. In it, he pledged to invest \$400 billion into clean tech over the next 10 years.

With strong backing like that, companies leading the industry could see massive upside in the coming years. An example of such a company is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). It operates a diversified portfolio of assets capable of producing more than 21,000 MW of power. Over the past 10 years, Brookfield Renewable has managed to increase its dividend distribution at a CAGR of 6%. With a dividend-payout ratio of 57.7%, Brookfield has sufficient room to continue increasing its dividend in the future.

This stock is a hidden gem

One of the best dividend companies in Canada also provides a lot of potential for capital appreciation. Operating two distinct business segments, **goeasy** ([TSX:GSY](#)) offers high-interest loans to subprime borrowers and sells furniture and other home goods on a rent-to-own basis. While its business has slowly been growing over the past few years, goeasy saw a significant increase in traffic as a result of the pandemic. In 2020, the company posted record revenue totals quarter after quarter.

Over the past year, goeasy stock has gained more than 201%. However, this article focuses on dividend companies, so let's take a look at those numbers. Since 2015, goeasy has managed to increase its dividend year after year. Over that period, its distribution has increased 660%! Despite that significant increase in its dividend over the past six years, goeasy's payout ratio remains very low at 13.9%. This company has tons of room to continue increasing its dividend in the future.

One half of a nationwide duopoly

When looking for companies to invest in, it would be a good idea to consider those which have a sustainable moat. These companies offer investors a safety net from potential competitors that could threaten the company's position within an industry. An example of a top dividend company with a large moat is **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). Founded in 1881, the company operates a rail network spanning more than 20,000 km.

Like the other companies listed here, Canadian Pacific has managed to increase its dividend for more than five years, making it a Canadian Dividend Aristocrat. One downside about this company is that its forward dividend yield is relatively low (0.82%). However, with a payout ratio of only 15.8%, it's possible that Canadian Pacific's dividend could be much greater over the next few years.

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1. canada
2. dividend
3. dividend stock
4. dividend stocks
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6. renewable energy
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2. NYSE:CP (Canadian Pacific Railway)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CP (Canadian Pacific Railway)
5. TSX:GSY (goeasy Ltd.)

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Author

jedlloren

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