



2 Top Dividend Stocks for Reliable Income

Description

Retirees and other income investors are searching for top dividend stocks that pay reliable distributions offering attractive yields.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) has US\$15 billion in utility and renewable energy assets. The bulk of the businesses are located in the United States, giving investors a chance to get good exposure to the U.S. through a Canadian company.

The utility operations provide water, electricity, and natural gas in regulated environments to more than a million customers. The renewable power assets include wind, solar, hydroelectric, and geothermal facilities that are in operation or under construction with total capacity to generate more than three gigawatts of electricity.

Algonquin Power raised its dividend by 10% in 2021. The company has a US\$9.4 billion capital program through 2025 that should deliver steady cash flow growth to support ongoing dividend hikes.

The stock trades near \$20 per share on the **TSX Index** at the time of writing compared to \$22.50 earlier this year and provides an annualized dividend yield of 4.4%. Algonquin Power is a solid income pick for investors who want to boost their [ESG](#) holdings. The company is typically a buyer of other businesses to boost growth but could also become a takeover target as the renewable power segment consolidates.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a midstream player in the Canadian [energy industry](#) providing a full slate of services to oil and gas producers. The business has grown steadily over the past 65 years, and that trend should continue.

Pembina Pipeline has a healthy capital program in place and is constantly on the lookout for strategic acquisitions. Management shored up the balance sheet and deferred some projects early in the pandemic. This enabled the company to maintain the dividend through 2020. Now that the energy sector is back on its feet, Pembina Pipeline is restarting developments and looking for new revenue sources.

The company recently announced a partnership to build a carbon sequestration network and facility to help oil and gas producers meet new net-zero carbon targets. As ESG investing becomes more widespread, it will be important for the energy sector to meet investor requirements on this front.

Pembina Pipeline lost out on a bid to buy **Inter Pipeline** this year. It might take a run at another competitor or even become a takeover target itself as existing pipeline infrastructure becomes more valuable. Steel prices are soaring, and getting new major pipeline projects approved is very difficult.

Pembina Pipeline currently trades near \$40 per share and offers a 6.2% dividend yield. The share price was \$53 before the pandemic, so there is decent potential upside as the energy sector rebounds.

The bottom line on income stocks

Algonquin Power and Pembina Pipeline both pay attractive dividends for a buy-and-hold income portfolio. The share prices look cheap right now and should move higher over the next 12-18 months. Investors who split a new investment between the two stocks can get an average yield of 5.3%. That's much better than any GIC today.

If you only buy one, I would probably make Pembina Pipeline the first choice right now. The stock appears undervalued, and the generous distribution is paid monthly.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:PBA (Pembina Pipeline Corporation)
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