2 Top Canadian Dividend Kings to Buy Right Now

Description

Canadian Dividend Kings are in a class of their own, and they truly deserve to trade at a lofty premium to their peers.

Undoubtedly, dividend streaks are tough to keep, as crises, recessions, shocks, and depressions tend to present themselves over the course of many decades. When it comes to the Dividend Kings, which have found a way to persevere by keeping their dividends intact through the best and worst of times, they are among the best candidates to start the foundation of any portfolio.

Volatility happens. And as we found out early last year, black swan events can strike, giving investors little to no time to pivot. That's why it's a good idea to punch your ticket into Steady Eddie Dividend Kings that can hold their own before crisis hits.

Although cash-crunching market crashes like the one suffered last year will drag down the bluest of blue chips, including the top Dividend Kings, at the very least, investors don't have to worry about whether they'll be on the receiving end of a dividend cut—the ultimate sin that a proven dividend payer can commit.

Canadian Dividend Kings to be crowned in the 2020s

Whenever you can snag a reliable dividend growth king at a great discount, you should look to pounce.

In this piece, we'll have a look at two Canadian Dividend Kings that have been raising the bar on their dividends for over 46 years (technically, a Dividend King has delivered 50 straight dividend hikes), with share prices that I believe are well below intrinsic value.

And in the case of **Fortis** (TSX:FTS)(NYSE:FTS) and **Canadian Utilities** (TSX:CU), which are poised to be crowned as Dividend Kings this decade, I think each name is a terrific bargain for any portfolio that's looking to shave some risk.

Fortis

Fortis is a regulated utility play that needs zero introduction. It's a retiree staple and acts as a bomb shelter when crisis strikes. The dividend yield is pretty modest at around 3.5%. But the number does not tell the full story of Fortis's powerful, well-covered and growthy dividend. Over the past five years, Fortis has averaged over 7% in annualized dividend growth.

Respectable, yes, but certainly nothing to write home about. When you factor in that mid-single-digit hikes are nearly guaranteed annually, the Fortis story becomes that much more appealing, especially for cash hoarders and bond investors who are looking to do better for themselves without having to raise the risk bar substantially.

Fortis may be boring and not make the headlines nearly as much as most other stocks. But that doesn't mean it isn't a stud. Stacked up against any bond with a fixed coupon and Fortis comes out on top every day of the week.

Canadian Utilities

Canadian Utilities is another Steady Eddie dividend payer that's a bond proxy that outshines fixed-income debt securities. Of late, the dividend growth rate has picked up, a trend that could continue through the 2020s. The yield, which currently sits shy of 5%, is handsome and, like a fine wine, will only become that much more handsome with time.

I find the upfront yield to be swollen and worth picking for income investors who want to finance a growing passive income stream for their future selves. The stock is still off 16% from its February 2020 high and is well-positioned to post a full recovery over the next two years.

Although the payout ratio is quite stretched, I don't see the company halting its dividend growth streak anytime soon — not when the crown is so close.

CATEGORY

1. Investing

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1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

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