



2 Top Dividend Stocks to Buy for 2022

Description

Canadian investors are starting to search for top dividend stocks to add to their portfolios for next year. Dividend hikes could be generous in a few key sectors in 2022, and share prices might get a boost if distributions increase more than expected.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is one of the top dividend-growth stocks in the TSX Index over the past two decades.

Unfortunately, the company put payout hikes on hold last year as a result of a government directive designed to ensure TD and its peers maintain adequate reserves to cover potential losses. The ban remains in place but will likely be lifted in late 2021 or early 2022. TD and the other large Canadian banks are now sitting on significant excess capital and have started reversing provisions for credit losses that were booked during the pandemic. Aid programs have helped avoid the worst-case scenario and a strong housing market supported profits across the industry in the past 12 months.

TD's compound average dividend-growth rate leading up to the pandemic was above 10% per year. Investors should see payouts increase by at least this much when TD gets the green light to start hiking the dividend again. The stock currently trades near \$82 per share, compared to the 2020 high around \$89. The current trailing price-to-earnings ratio is below some of its peers, so TD's share price is reasonable. Investors who buy on the dip can pick up a 3.8% yield and look forward to the resumption of strong dividend growth in the coming quarters.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) raised its dividend by 10% in 2021, extending a streak of payout increases over the past decade. Investors who choose to reinvest the distributions through the DRIP program get a 5% discount on the price of the new shares. That can add up to some significant gains over the years.

The company has an interesting mix of renewable energy power assets and regulated utilities. Algonquin Power started out building hydroelectric sites and gradually expanded into water, natural gas, and electricity distribution through acquisitions and internal projects.

Capital investments in solar and wind projects are expanding the renewable energy side of the businesses, making Algonquin Power an attractive [ESG](#) pick for investors.

The stock currently trades near \$19.50 per share. That's down from the 2021 high of \$22.50, so there is decent upside opportunity on the next rally. Investors who buy the stock at the current price can pick up 4.3% dividend yield.

Algonquin Power generates the majority of its revenue in the United States. The company is getting big enough that it can raise capital easily, as we saw with the \$1 billion equity offering this summer. Consolidation in the U.S. utility sector is expected to continue in the coming years, and Algonquin Power is positioned well to be an active participant. The company might also become a takeover target, given its mix of renewable power and utility assets.

Another 10% dividend increase could easily arrive next year, supported by the capital projects and any potential new acquisitions.

The bottom line

TD and Algonquin Power are top-quality dividend stocks that should deliver big distribution hikes in 2022. The stocks appear attractive at current prices and deserve to be core picks for a buy-and-hold dividend portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:TD (The Toronto-Dominion Bank)

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