



Passive Income: 3 Top Dividend Stocks to Buy Now

Description

There's no denying that it's been a great year for Canadian investors. The **S&P/TSX Composite Index** is up close to 20% year to date and more than 25% over the past year.

The current bull run has driven valuations of many stocks sky high, which makes me wary as an investor, at least in the short term. As a long-term investor, I'm not overly concerned with today's valuation. But in the short term, the market's expensive valuation does have an impact on my investing strategy.

As more of a growth investor myself, the majority of my current holdings consist of stocks trading at a price-to-sales (P/S) ratio above 20. So, I'm comfortable taking on risks in high-priced stocks if there is growth potential over the long term.

Some of the [top growth stocks](#) on the **TSX** are now trading in a range that I'm beginning to be uncomfortable with. Steep valuations don't make me question the quality of a business that I'm considering investing in; it just means that I'm not necessarily willing to pick up shares at these prices.

There are more stocks than I'd like in my portfolio trading at a P/S above 50 right now. I'm definitely not going to sell any of those based on valuation alone, but I won't be adding to any of those positions at these prices either.

Investing in dividend stocks

The market's current valuation has me searching more for [value-oriented buys](#) right now. Even though the market as a whole has been on fire this year, there are still areas on the TSX that you can find bargains in.

Searching through a list of blue-chip dividend stocks is a great place to start if you're looking for value today. I've put together a list of three [dividend stocks](#) that are at the top of my watch list.

Algonquin Power & Utilities

Utility companies are some of the most dependable stocks investors can own. These are stocks that you can count on no matter the condition of the economy.

Where **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) differs from its peers is its presence in the growing renewable energy sector. It offers its customers access to wind, hydro, and solar renewable energy solutions. That's one of the reasons why the stock has been able to return market-crushing gains of 70% over the past five years.

At today's stock price, this dividend stock yields an impressive 4.3%.

You won't find many dividend stocks yielding above 4% that also have a strong track record of outperforming the market.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) is another steady dividend stock with a growth element to it over the next decade. The telecommunications stock has trailed the market in recent years, but that could change very soon.

We're still in the early stages of the expansion of 5G technology in Canada. As that continues to grow, so should the demand for Telus's services, along with its stock price.

In the meantime, while investors wait for the market-beating growth to return, there's a 4% dividend yield to earn passive income from.

Scotiabank

You can't talk about top dividend stocks on the TSX and not mention the Canadian banks. The Big Five not only own some of the highest yields on the market today, but some of the longest payout streaks, too.

At a dividend yield of 4.6%, **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)) is the highest-yielding Canadian bank. Not only that, but it's been paying a dividend to its shareholders for close to two centuries.

If the dividend yield and payout streak aren't enough to put this \$100 billion bank on your watch list, maybe its valuation is. It's trading at a very favourable forward price-to-earnings ratio of only 10 right now.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TU (TELUS)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:T (TELUS)

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