2 Top Canadian Dividend Stocks to Buy in September 2021

Description

With a potential market correction on the horizon, Canadian investors are searching for top dividend stocks that tend to hold up well during a pullback to add to their TFSA and RRSP portfolios.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $56 billion in power generation, electric transmission, and natural gas distribution assets located in Canada, the United States, and the Caribbean.

Homes and businesses need a steady stream of electricity and natural gas, regardless of the movements of global financial markets or shifts in economic sentiment. Fortis gets nearly all of its revenue from regulated businesses, so cash flow that comes in to support dividend payments tends to be very reliable and predictable.

The company continues to grow through acquisitions and organic projects. Fortis made two large purchases in the United States in recent years that worked out well, and the current $19.6 billion capital program that extends through 2025 is expected to boost the rate base by a third. This should support the board's goal of raising the dividend by an average of 6% annually until the end of 2025. Fortis has other projects under consideration that could get added to the capital program and push out the dividend-growth timeframe or increase the size of the distributions.

The board raised the dividend in each of the past 47 years. Investors who buy the stock at the time of writing can pick up a 3.4% dividend yield.

Telus

Telus (TSX:T)(NYSE:TU) is a major player in the Canadian communications industry with wireline and wireless network infrastructure supplying customers with TV, internet, and mobile services. The company is also expanding its security offerings and the Telus Health division continues to grow, supported by strong uptake of the services during the pandemic. Telus Health provides digital solutions to doctors, hospitals, and insurance companies and has apps and other tools to help health professionals connect with patients in a secure digital environment.

Management recently spent close to $2 billion on new spectrum that will support the company's 5G network expansion. This offers Telus new revenue opportunities while helping maintain a wide competitive moat enjoyed by the top Canadian suppliers of communication services.

Telus has a great track record of dividend growth, and that should continue, despite the billions of dollars being spent to build new fibre and 5G networks. The company received good news in May when the CRTC decided to cancel planned cuts to wholesale internet rates. The CRTC decision provides Telus with a clearer picture of its revenue stream going forward and should support additional investment by the company in new infrastructure.

Mobile and internet are considered essential services these days and people will cut a lot of other discretionary items out of their budget before they cancel the TV subscription. This makes Telus a good stock to own when markets start to get concerned about an economic downturn.

Telus currently provides a 4.2% dividend yield.

The bottom line on top dividend stocks

Fortis and Telus are two of Canada's top dividend-growth stocks that should hold up well when the market goes through its next correction. If you have some cash to put to work right now in a dividend portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
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