3 Dividend Kings That Will Earn You up to 5% Income

Description

If we go by the standards of the U.S. stock exchanges, Canada only has a handful of Aristocrats and no Dividend Kings, so we had to come up with our own standards. In Canada, Dividend Aristocrats are businesses that have grown their yields for five consecutive years or more. We don't have a well-established criterion regarding the next "royal" step a company has to take to become a Dividend King.

So, we can do what we did with the Aristocrats — lower the bar. Instead of 50 years of dividend growth (which is the threshold for becoming a Dividend King in the U.S.), we might call Canadian stocks that have grown their dividends for 25 consecutive years "Dividend Kings." And three of them should be on your radar.

A growth stock

One of the best growth stocks among the Dividend Kings is **Metro** (TSX:MRU). This retail giant has been growing its dividends for 26 consecutive years. Even though its current yield of 1.6% is not ideal, the stock offers much more in the form of capital-appreciation potential. The 10-year CAGR is 16.8%, and the price is just right to make a move.

Metro is safe for other reasons than simply being a Dividend King. It's primarily engaged in the business of food and pharmacies — two timeless market segments that are capable of surviving market crashes and recessions. Metro also has an impressive national footprint and presence, which gives it more credibility and reliability points as a holding.

An energy stock

The energy sector has a decent selection of generous dividend stocks, but only two “Kings,” and oneof them is **Imperial Oil** (TSX:IMO)(NYSE:IMO). The company has grown its payouts for 26consecutive years, like Metro, but unlike Metro, it offers almost no capital-appreciation potential.However, if you had bought this stock right after the market crash, you could have enjoyed a 200%appreciation thanks to the recovery spike.

The long-term capital-growth potential, however, is almost non-existent. The good news is that the dividend yield is relatively higher at 3%, and the payout ratio is significantly safer compared to most other energy stocks. This promises that the company might keep growing its payouts for the foreseeable future, as it’s far away from eating into its profits all the way to the operational budget.

A Dividend King to be

Canadian Utilities (TSX:CU) is one of the two Canadian Aristocrats that is quite close to becoming an actual Dividend King. The company has already grown its payouts for 49 years, making it the oldest Aristocrat in the country, and if it continues its streak, it will attain the next level in 2022. By the standards/lower bar we’ve set for what we are considering as dividend kings, the company has been a Dividend King for quite a while.

CU offers a decent combination of safety and yield. It’s a utility stock, which means most of its dividends are tied to people paying their utility bills, which is almost a standard financial priority. The company is currently offering a juicy 5% yield, and even though the price is relatively overvalued, it might be a good idea to lock in the yield while you can.

The stock is still 17% down from its pre-pandemic peak, and if you buy now, you can benefit from recovery-fueled capital appreciation and enjoy the yield before the growth culls it down to a more reasonable number.

Foolish takeaway

There are other Canadian Dividend Kings that can offer you better yields, but the three above also bring in security and reliability to the table, along with modest capital-appreciation potential (collectively). The three stocks combined add both dividends and capital-appreciation potential of your portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSEMKT:IMO (Imperial Oil Limited)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:IMO (Imperial Oil Limited)
4. TSX:MRU (Metro Inc.)

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