Passive-Income Investors: 2 Top Dividend Stocks to Buy Now

Description

Retirees and other investors seeking reliable passive income are using dividend stocks to boost their earnings. The overall market looks expensive these days, so it makes sense to buy top dividend stocks that you are comfortable owning through a market correction.

Telus

Telus (TSX:T)(NYSE:TU) recently spent $1.9 billion to buy new spectrum it will use to build out its 5G network. The evolution of mobile communication continues to provide new revenue opportunities for Telus and its peers, and that should help drive cash flow gains to support steady dividend increases.

On the wireline side, Telus is investing in new fibre optic lines that connect directly to homes and businesses. This provides customers with the broadband they need and helps Telus protect its competitive moat.

Telus doesn't have a media division. Pundits wonder if the decision to avoid spending billions of dollars on TV stations, specialty channels, radio stations, and sports teams will hurt Telus over the long run. So far, that doesn't appear to be the case.

Telus has channeled investment funds into other initiatives. Earlier this year, Telus spun off its international business at a value that was equal to what Telus as a whole was worth 20 years ago. Telus Health, for example, is a leading supplier of digital health services in Canada.

The company has a great track record of dividend growth. Investors should see payout increases in the 5-8% range over the next few years. At the time of writing, the stock provides a dividend yield of 4.4%.

Telus tends to hold up relatively well when the broader stock market corrects, so it might be a good defensive pick for a portfolio today.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) took a hit last year when a plunge in fuel demand reduced throughput along its oil pipelines that carry crude oil from producers to refineries. However, the natural gas transmission, natural gas storage, and natural gas distribution operations, along with the renewable energy group helped offset the pain on the oil pipeline side of the business. As a result, Enbridge met its 2020 targets for distributable cash flow and even raised the dividend near the end of the year.

Enbridge has already seen improvements on crude oil volumes in 2021, and the trend should continue. Airlines are ramping up capacity, and commuters are getting ready to head back to the office. This will drive fuel demand higher in the coming months and through 2022.

Enbridge expects to complete $10 billion in capital projects this year and just announced a US$3 billion acquisition to provide additional revenue growth. The stock has rebounded strongly off the 2020 low but still trades at a reasonable price and currently offers a 6.5% dividend yield.

The bottom line on passive income

Telus and Enbridge are top dividend stocks to own in a portfolio focused on passive income. The companies pay attractive dividends that should grow at a steady pace and offer yields that are well above returns from GICs. If you have some cash to put to work, these stocks deserve to be on your income buy list.

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