3 Dividend Stocks to Add to Your Portfolio in November 2021

Description

Investing in dividend stocks will forever be one of the easiest ways you can build a passive source of income. By consistently adding capital to dividend growth companies, investors can see their annual dividends compound very quickly. However, it's very important that investors choose the right dividend companies to invest in. Often, investors are swayed by low-quality companies with high dividend yields. In this article, I discuss three excellent dividend stocks to add to your portfolio in November 2021.

Consider how long a company has been able to increase its dividend

The dividend growth streak is one of the most important metrics when deciding whether a company is worth holding in your portfolio. Companies that manage to increase their dividend for at least five years are known as Canadian Dividend Aristocrats. Of all the dividend companies in Canada, only one is in the same stratosphere as **Fortis** (TSX:FTS)(NYSE:FTS). The company's 47-year dividend growth streak is the second-longest active streak in the country. The next longest growth streak is more than a decade shorter (31 years).

Fortis has been able to find success over the past five decades due to the stability of its business. Offering regulated gas and electrical utilities to more than 3.4 million customers in Canada, the United States, and the Caribbean, Fortis' services remain in demand regardless of the economic situation. Because of the nature of its business, Fortis is also considered a recession-proof company. This means that holding the stock should provide investors with downside protection, should a recession affect the public markets.

Investors should consider a company's moat

Another aspect that investors should consider when assessing dividend companies is whether their moat is large and continuing to grow. For example, consider the Canadian banks. The Canadian banking industry is highly regulated. This makes it difficult for new competitors to enter the industry and displace the leaders. As a result, companies atop the Canadian banking industry are continually building upon their impressive moats. Of the leaders within that space, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my top choice.

The Bank of Nova Scotia separates itself from its peers by focusing a significant amount of its business outside of North America. According to its 2020 annual report, 16% of Bank of Nova Scotia's earnings can be attributed to the Pacific Alliance. This is a region that includes Chile, Columbia, Mexico, and Peru. Economists forecast that the Pacific Alliance will grow at a faster rate than the G7 in the coming years due to a growing middle class.

You don't have to sacrifice capital appreciation when investing in dividend companies

It's widely believed that if you're interested in companies with the potential to generate 10 times returns, then don't invest in dividend stocks. Generally, this is true because growth stocks tend to reinvest as much capital as possible back into the business, instead of paying dividends to shareholders. However, there are rare instances where growth stocks also provide excellent dividends. One great example of such a company is **goeasy** (TSX:GSY).

For those who are unfamiliar, goeasy provides high-interest loans to subprime lenders. It also sells furniture and other home goods on a rent-to-own basis. Investors that followed up on an article I wrote last June, could have seen returns of about 260% as of this writing.

However, more impressive than its stock performance could be its dividend. Over the past six years, goeasy stock has increased its dividend by more than 600%! Despite that large increase in distribution, goeasy's payout ratio is only 16.63%. This indicates that the company could continue raising its dividend over the coming years.

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