2 Dividend Stocks With Market-Beating Growth Potential

Description

Investing in dividend stocks is one way to build a passive-income stream. Typically, dividend-paying companies pay their shareholders on a monthly or quarterly basis. The dollar amount of the dividend may change each quarter, but the dividend yield changes daily based on the stock's share price.

Generally speaking, companies have full control of their dividends. They can increase or decrease the amount or cut the dividend altogether. For passive-income investors, a non-guaranteed payment may be concerning. The good news is that the **TSX** is full of high-yielding dividend stocks with payment streaks that have lasted for decades and longer.

It's often more mature companies that pay a dividend, as opposed to companies still largely focusing on growth. Younger companies, still in the growth stages, usually prefer to use their capital by reinvesting back into the business, rather than pay a dividend to their shareholders.

What Canadian investors need to keep in mind is that it's not unheard of for a dividend stock to also deliver market-beating gains. Even if a stock is far past its high-growth days, it doesn't mean it's not capable of outperforming the Canadian market.

I've reviewed two Canadian dividend stocks with market-beating growth potential. Both companies pay a high dividend and have a history of outperforming the market. And, most importantly, I'm betting that we'll see those market-beating gains continue for many more years.

Dividend stock #1: Northland Power

Whether you're looking for passive-income or market-beating gains, now's the time to invest in renewable energy. After a very strong performance in 2020, the sector as a whole has largely cooled off this year. Long-term investors have an excellent opportunity today to pick up shares of high-quality renewable energy stocks at a discount.

Northland Power (TSX:NPI) is down just about 20% from all-time highs set in early 2021. Even with the recent discount, though, shares are up more than 80% over the past five years. That's good enough for close to doubling the returns of the Canadian market.

The dividend stock is up big against the market's return in recent years. That's not even factoring in its impressive dividend, either. At an annual payout of $2.53 per share, Northland Power's dividend is yielding 3.5% right now.

There's no shortage of TSX companies that either yield 3.5% today or have put up those types of gains over the past five years. You will, however, have trouble finding many Canadian stocks that can provide your portfolio with that type of yield and growth.

Dividend stock #2: Telus

For investors that are looking for a higher yield but less growth, **Telus** (TSX:T)(NYSE:TU) is a solid choice. The dividend stock has been on par with the market's returns in recent years but is yielding 4.5% today.

Only when including dividends has Telus delivered market-beating gains over the past five years. Going back a decade, though, the dividend stock has largely outperformed the Canadian market. Growth has slowed in recent years, but I'm betting the next five years will be better than the last five.

We are still very early in the launch of 5G technology in Canada. There are many Canadian stocks that stand to benefit from the growth of 5G, including Telus.

Telus's dividend alone is enough of a reason for a passive-income investor to be interested. And once you factor in potential gains over the next five to 10 years through the growth of 5G, this dividend stock may even have growth investors interested.

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Date
2025/08/22
Date Created
2021/11/26
Author
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