3 Reliable Dividend Payers for a Healthy Long-Term Income

Description

If you want to create an income source you can rely upon to replace or augment your primary income, dividend sustainability is just as important (if not more so) as the dividend yield. Choosing from the select group of aristocrats is the safest way to go, but you can get more discerning within that pool as well.

A banking stock

Bank of Montreal (TSX:BMO)(NYSE:BMO) has been paying dividends since 1829, and so far, it hasn't missed its dividend payments once. That's as strong a track record as you can hope for in a dividend-paying corporation. The bank has also joined the ranks of aristocrats by raising its payouts for nine consecutive years.

Currently, the bank is offering a modest yield of 3.8%, which is uncharacteristically low for this bank. The reason is the bank's aggressive post-pandemic growth which catapulted the stocks 122% from its market crash price. It's not overvalued per se, but the chances of the stock staying at that height it's currently at are quite low. So, wait for a correction and then invest in one of the oldest Canadian dividend payers.

A telecom giant

The telecom sector in Canada, while not as safe as banking, is quite safe due to limited competition. The oligopoly that stifles rapid growth also makes **Telus** (TSX:T)(NYSE:TU) relatively safe. The company's dividend history, which includes 17 consecutive years of dividend growth, also augments the notion of dividend sustainability.

The payout ratio, however, is not very confidence-invoking. But since the telecom has announced a decently raised payout for the coming quarter, despite the 132% payout ratio, it endorses its ability to sustain its dividends. Telus also offers a better combination of dividend and growth than BMO. The current yield is 4.4%, and the 10-year CAGR is 12.49% and much more consistent than the bank.

A resilient dividend stock

Exchange Income Fund (TSX:EIF) has proven its mettle as a resilient dividend stock during the pandemic. Its association with the airline industry caused the stock to crash 63% during the 2020 market crash, but the stock didn't just recover from that slump in less than two years by growing 185% from crash to peak; it also maintained its payouts.

The company pays monthly dividends, and even though it didn't continue growing its payouts in 2021, the resilience in the face of what its industry was going through is admirable even for an aristocrat. The company, while not a great pick for capital-appreciation potential, certainly has the right mix of sustainability and decent yield (5.3%).

Foolish takeaway

The three dividend stocks all have stellar dividend histories, and two had leadership positions in their industries, further storing their credibility as dividend payers. While the yields are not too high, they are enough to start a sizeable passive income with the right amount of capital, and the dividend-growth potential the three companies promise can easily help this dividend-based income stay ahead of inflation.

CATEGORY

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3. TSX:BMO (Bank Of Montreal)
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