3 Great Dividend Stocks for Canadians

Description

Investing in dividend stocks over time can help you reach financial independence. This is the term given when an individual is able to replace their primary source of income. Many investors seek to achieve financial independence as early as possible, because it allows them to focus on things more important to them as opposed to being tied down to a job. In this article, I'll discuss three great dividend stocks for Canadians.

A powerhouse dividend stock

When a company raises its dividend for five consecutive years, it's added to the list of Canadian Dividend Aristocrats. Currently, there are about 100 **TSX** companies that hold this honour. Knowing that there are more than 1,000 companies listed on the TSX makes it clear that being named a Dividend Aristocrat is no small feat. Of all the Canadian Dividend Aristocrats, my top pick is **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis holds the second-longest active dividend-growth streak on the TSX at 47 years. This outstanding streak of increasing dividends may be attributed to Fortis's dependable business model. It provides regulated gas and electric utilities to 3.4 million customers across Canada, the U.S., and the Caribbean. Because utilities are needed regardless of what happens to the economy, Fortis doesn't tend to suffer during recessions and periods of uncertainty. I remain confident that Fortis will continue being a top dividend stock over the next decade.

This company makes dividend raises look easy

Not only should investors look for companies with long dividend-growth streaks, but it's important to consider how fast a dividend can grow. If a stock isn't able to grow its dividend faster than the rate of inflation, then investors are better off looking elsewhere. A failure to beat inflation will result in a loss of buying power over time. **goeasy** (TSX:GSY) is one company that has had no issues raising its dividend over the past few years.

In 2014, goeasy's quarterly dividend paid $0.085 per share. This year, its quarterly dividend was $0.66 per share. That represents a CAGR of 34%! Despite having increased its dividend so strongly over the past few years, goeasy's dividend-payout ratio stands at 16.34%. This suggests that the company has more than enough room to continue increasing its distribution in the coming years.

Stay on track to financial independence with this stock

Canadian National Railway (TSX:CNR)(NYSE:CNI) is the larger entity in a duopoly that dominates the Canadian railway industry. The company operates nearly 33,000 km of track, which spans from British Columbia to Nova Scotia and as far south as Louisiana.

At 25 years, Canadian National holds the 10th-longest active dividend-growth streak in Canada. Although it has a fairly low dividend yield (1.52%), it also has a low payout ratio. Like goeasy, I expect that Canadian National will have no issues raising its dividend over the coming years. Over the past five years, Canadian National has increased its dividend at a CAGR of 8.3% greatly outpacing the rate of inflation.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)
5. TSX:GSY (goeasy Ltd.)

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