3 Dividend Stocks to Gift Yourself This Holiday Season

Description

It's the holiday season, and there's no doubt a lot of people are looking for last-minute holiday gifts. Have you ever considered giving yourself the gift of a dividend stock? Unlike other gifts, which people tend to get tired of quickly, these stocks will keep giving you income over the coming years. Think of it as a gift that keeps on giving. Here are three dividend stocks to gift yourself this holiday season!

Start with a top Dividend Aristocrat

When looking for dividend stocks to add to your portfolio, perhaps restrict your search to those listed as Dividend Aristocrats. In Canada, these are stocks that have been able to raise dividend distributions for at least five consecutive years. Near the top of the list, investors can find **Fortis** (TSX:FTS)(NYSE:FTS). With a dividend-growth streak of 47 years, Fortis claims the second-longest active dividend-growth streak.

This company won't win any awards for having the most exciting business. However, what Fortis *can* provide investors is a reliable business. Fortis is known as a recession-proof company, because it doesn't tend to encounter any major slowdowns during recessions. This allows Fortis to continue increasing its dividend distribution year after year. A dividend streak of 47 years is very tough to do. In fact, only three companies in Canada have active dividend-growth streaks of three decades or more. Fortis is among the elite.

A stock with a dominant network

Investors should also consider whether a company leads its industry. If it does, then that company clearly has a competitive advantage over its peers. Take **Canadian National Railway** (TSX:CNR)(NYSE:CNI) for example. It is the larger entity in the duopoly which dominates the Canadian rail industry. With a rail network spanning nearly 33,000 km, there's no denying that Canadian National has played a big role in helping build Canada as we know it today.

Another Canadian Dividend Aristocrat, Canadian National has managed to increase its dividend over the past 25 years. Despite all those dividend increases, Canadian National's payout ratio is only 36.5%. This is very low and suggests that the company has sufficient room to continue raising its dividend in the future.

Beat inflation with this stock

Finally, investors should look for dividend stocks that are able to raise distributions faster than the rate of inflation. A failure to do so will result in a loss of buying power over time. This concept becomes even more important in years like this year, where inflation has skyrocketed past the average 2% increase. **goeasy** (TSX:GSY) is one stock that has managed to raise its distribution much faster than the rate of inflation over the past seven years. Over that period, goeasy's dividend has grown at a CAGR of about 34%.

Like Canadian National, goeasy has a very low dividend-payout ratio (16.34%). I'm willing to bet that the company will be able to continue raising its dividend at a high rate over the coming years. goeasy also gives investors the added benefit of an appreciating stock price. Year to date, goeasy stock has gained about 81%. That outpaces the broader market by about fourfold. Clearly, goeasy is a top stock whether you look at it from a dividend or growth point of view.

CATEGORY

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5. TSX:GSY (goeasy Ltd.)

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Date
2025/07/03
Date Created
2021/12/23
Author
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