3 Top Dividend Stocks to Buy in 2022

Description

If you're interested in building a source of passive income, then it would be a good idea to consider investing in dividend stocks. These are stocks that pay shareholders a portion of the company's earnings on a monthly, quarterly, or annual basis. Dividend investors should look at Dividend Aristocrats. In Canada, these are companies that have managed to raise dividends for at least five consecutive years. In this article, I'll discuss three top dividend stocks to buy in 2022.

Start with this reliable industry

Many Canadians hold shares of a Canadian bank. This is because the Canadian banking industry is highly regulated. That makes it difficult for smaller competitors to displace the industry leaders. As a result, the companies that lead the Canadian banking industry have been able to establish formidable moats. Of that group of leading banks, my top choice is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

A Canadian Dividend Aristocrat, Bank of Nova Scotia has managed to increase its dividend for over a decade. In fact, at its most recent earnings report, Bank of Nova Scotia announced a dividend increase of about 11%. Bank of Nova Scotia stock also offers investors an attractive forward dividend yield of 4.47%. The stock has a payout ratio of 47%, which suggests that the company has sufficient room to continue raising its dividend in the future.

Another industry with a clear leader

The Canadian railway industry is another area that dividend investors should explore. It is dominated by two companies, both of which have a very large presence across the country. However, if I had to choose one from a dividend point of view, it would be **Canadian National Railway** (TSX:CNR)(NYSE:CNI). With a rail network spanning nearly 33,000 km, Canadian National is the largest railway company in the country.

Another Canadian Dividend Aristocrat, Canadian National has managed to increase its dividend for the past 25 years. That dividend streak would also qualify the company as a Dividend Aristocrat in the

United States, where companies are required to raise dividends for at least 25 years in order to be included. Canadian National's forward dividend yield is much lower than that of Bank of Nova Scotia (1.58%). However, so is its payout ratio (37%). I feel confident that Canadian National will be able to continue raising its dividend in the coming years.

This dividend stock has market-beating potential

Just because investors have dividends in mind doesn't mean that they need to sacrifice stock performance. Some dividend stocks have the ability to beat the broader market by a wide margin. Take **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) for example. Since its IPO, Brookfield stock has grown at a CAGR of nearly 16%. Over the same period, the **TSX** has managed to return about 6% per year, on average.

Like the other two stocks given here, Brookfield is listed as a Canadian Dividend Aristocrat. It offers investors a forward dividend yield of 0.87%. Although that yield is the lowest of the three companies, Brookfield also maintains the lowest payout ratio (24%). This means that the company has more than enough room to continue raising its dividend in the future. Buying shares today could result in a very attractive *yield on cost* over the next decade.

CATEGORY

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CNI (Canadian National Railway Company)
4. TSX:BN (Brookfield)
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6. TSX:CNR (Canadian National Railway Company)

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