Got $1,000? 3 TSX Dividend Stocks to Buy Now

Description

The Canadian stock market is trading at near its all-time high. Sectors of the market have fallen off a cliff. Both facts are not as relevant for stock investors who are buying stocks individually. If you have an extra $1,000 lying around after building an emergency fund, consider buying these three **TSX** dividend stocks.

Bank of Montreal stock

The big Canadian bank stocks are anchors of long-term dividend stock portfolios. You should buy them when they're trading at good valuations. Right now, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock is reasonably valued.

In most years, BMO makes returns on equity in the teens range, which makes it a sleep-well-at-night stock for shareholders. The solid Canadian bank stock has dipped a bit from its highs and trades at about 10.7 times its earnings versus its long-term normal multiple of about 11.3. Over the medium term, management targets an earnings-per-share growth rate of 7-10%. If it can achieve this growth rate, it makes BMO stock an attractive long-term investment.

Currently, the bank stock also generates a safe 3.7% yield. So, based on a fairly priced stock, the 3.7% dividend, and a 7% earnings growth rate (the low end of its target to be conservative), buyers of the dividend stock should earn predictable long-term returns of approximately 10.7%.

Algonquin Power & Utilities stock

Investors have re-entered **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) stock, driving up the utility's stock price by about 10% in the last three weeks. At writing, the dividend stock still provides a decent yield of close to 4.6%, which is attractive versus the Canadian stock market's yield of about 2.6%.

Varun Anand commented on the dividend stock earlier this month:

> "Half is renewable, half is regulated utility. Sees further upside. Not adding at current levels, but would buy on a pullback. Algonquin acquires companies that are under-earning and right-sizes them to generate more cash flow. One caveat is that they'll always be in the market for equity, so there will always be a bit of an overhang."
> *Varun Anand, vice president and senior portfolio manager at Starlight Capital*

While growing its asset base, Algonquin has also increased its dividend over the years. AQN's five-year dividend-growth rate is 10%. Going forward, it will probably continue increasing its dividend.

Manulife stock

Manulife (TSX:MFC)(NYSE:MFC) stock is also an attractive income stock. It trades at about 7.5 times earnings and offers a generous yield of 5.3%. For some reason, it trades at a meaningful discount from its peers, but its dividend and dividend growth is real.

Just last month, Stan Wong picked Manulife as one of his top picks on *BNN*.

> "A steepening yield curve can help insurance companies. The wealth management area continues to do well. Manulife has $1.4 trillion of assets under management and administration. It's one of the world's largest life and health insurance companies. Asia represents about 38% of Manulife's revenue, which is greater than any of its North American peers. That will allow Manulife to grow long term from the growing middle class in Asia and the demand for life and health insurance. The growing global population also needs Manulife's wealth management offerings. Manulife trades at about one times its book value, which is cheaper than many of its peers. We expect Manulife to grow its dividend by about 10% per year over the next few years. "
> *Stan Wong, portfolio manager at Scotia Wealth Management*

CATEGORY

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BMO (Bank Of Montreal)
6. TSX:MFC (Manulife Financial Corporation)

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