2 Top Dividend Stocks to Buy Now

Description

Dividend stocks may not generate the greatest gains over decades, but they can still be very important to hold in a portfolio. For one, dividend stocks can provide stability to portfolios during periods of economic uncertainty. This can result in a less-drastic downturn for your portfolio, allowing it to compound more efficiently over time. Second, certain dividend stocks are capable of producing market-beating returns. In this article, I'll discuss two top dividend stocks to buy now.

Buy one of the Canadian banks

I strongly believe that this is an excellent time to buy shares of one of the Canadian banks. Historically, banks have seen profit margins widen as interest rates increase. We've already seen the overnight rate increase by 0.25% in Canada. It's expected that the interest rate will continue to increase several times over the course of the year. As a result, the economic environment will only continue to favour bank stocks.

When considering bank stocks in Canada, investors should focus on the Big Five. Of course, there are other companies outside of this group that would be good to hold, but the Big Five are clear leaders in the industry. The highly regulated nature of the Canadian banking industry has allowed these companies to establish formidable moats. This makes it difficult for new and smaller competitors to displace their leadership position.

Of that group, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my top choice. It is an excellent company, with a long history of paying dividends. In fact, it has not missed a dividend payment in the past 189 years. Looking at Bank of Nova Scotia stock today, it's clear that the company has outperformed the broader market this year. Bank of Nova Scotia stock has gained nearly 2.5%, whereas the **TSX** has gained just under 1%. Bank of Nova Scotia stock offers investors a forward dividend yield of 4.36%.

Choose a dividend stock from this list

If you're interested in looking for more top dividend stocks, it would be a good idea to consult the list of Canadian Dividend Aristocrats. These are companies that have managed to increase dividend distributions in each of the past five years. A company's ability to raise its dividend is important to consider as it ensures that investors see their sources of passive income keep pace with inflation.

One stock that investors should take note of is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). It operates a portfolio with more than $690 billion of assets under management. That makes Brookfield one of the largest alternative asset management firms in the world. It has exposure to the infrastructure, real estate, renewable energy, and private equity markets.

Brookfield has increased its dividend in each of the past nine years. However, despite these increases, the company's payout ratio remains quite low (23.9%). This suggests that the company could be able to continue raising its dividend at a steady rate over the coming years.

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1. Dividend Stocks
2. Investing

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