



Passive-Income Investors: These 2 TSX Dividend Aristocrat Stocks Have Increased Yields for 25 Years

Description

New passive-income investors often make the rookie mistakes of chasing high dividend yields. While a high dividend yield might be appealing for immediate income, it sacrifices some long-term gain potential. A better way to [dividend invest](#) for retirement is by investing in dividend growth.

In this case, we want to buy companies that have a history of increasing their dividend payout amounts year after year. Companies with more than 25 years of consecutive dividend increases and payouts are called “Dividend Aristocrats,” and they tend to be very profitable investments.

Dividend Aristocrats often have excellent fundamentals. After all, the money to pay shareholders year after year has to come from somewhere — in this case, their strong operating and profit margins, earnings per share, and ever-increasing revenue.

Atco

Atco ([TSX:ACO.X](#)) is a natural gas distribution company holding a diversified portfolio of power plants, power lines, and hydrocarbon storage facilities. It boasts 14 commercial properties, covering 60,000 square feet of industrial property, 417,000 square feet of office property, and 315 acres of land.

ACO.X qualifies for the Dividend Aristocrat title on the basis of its 26-year streak of consecutive increasing dividend payments. Over the last five years, ACO.X has increased the dividend by around 13% on average each year. The current payout is \$1.85 per share for a yield of 4.11%.

However, investors should be cautious. ACO.X has very high payout ratio of 83.40%, which may not be sustainable. However, ACO.X has a current ratio of 1.40, indicating that it can cover its liabilities if needed, especially given that it has \$1.09 billion in cash on the balance sheet as of the most recent quarter.

Thompson Reuters

Not many investors know what **Thompson Reuters** ([TSX:TRI](#))(NYSE:TRI) does. The company can be best explained as a provider of business information to various professional sectors, such as legal, tax & accounting, news and media agencies, and other corporations.

Like ACO.X, TRI also qualifies as a Dividend Aristocrat, having increased the dividend payments for 26 consecutive years as well, with a five-year average growth rate of 3.5%. While the yield of 1.64% may seem small, the dividend payout is \$1.78 per share at a current share price of \$108.79.

TRI's high share price comes after a run-up that saw it soar by over 130% in the last five years compared to the 44% seen by the broader TSX. The stock's payout ratio also remains extremely low at just 14.09%, which gives it great room to grow later as TRI continually increases the dividend payout.

The Foolish takeaway

Dividend-growth investing by buying Dividend Aristocrat stocks, such as ACO.X and TRI, is an excellent method. As a result of their strong profitability and earnings, these companies can afford to continually raise their payouts, providing investors with increasingly better returns year after year. Buying shares of either stock after a market correction is an excellent way to lock in a low yield on cost, especially as their fundamentals are unlikely to be affected.

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