3 Top Canadian Dividend Stocks for Beginners

Description

If you are new to investing, there are two ways to approach it. One is growth investing, which involves picking out stocks with high earnings growth potential. This is a get-rich-quick pattern but also involves high risk. But if you are a patient, disciplined investor in for a long-term game, then dividend investing is for you.

Dividend stocks are relatively low-risk names that pay stable returns for years. Canada has several such dividend stocks that conservative investors can consider.

Though it seems appealing to invest in stocks that pay regular dividends, this strategy also has cons. Dividend stocks underperform growth stocks in bull markets. Also, if you are an aggressive investor, you might feel irked with dividend stocks' slow-moving nature.

However, if you are okay with somewhat moderate returns and capital protection is more vital, dividend stocks are apt for you. Here are the top Canadian dividend stocks you can consider.

Fortis

Canadian top utility stock **Fortis** (TSX:FTS)(NYSE:FTS) is one classic dividend stock for income-seeking investors. So far this year, when high-growth tech stocks have halved, stocks like FTS have returned almost 8%.

Fortis operates regulated utilities and earns stable cash flows. It does not matter whether the broader economy is going through a recession or an expansion, utilities keep growing stably because of their low-risk business model.

FTS pays stable dividends and yields 3.5% at the moment. If you invest $1,000 in FTS stock, it will pay you $35 in dividends annually. Notably, it has increased dividends for the last 48 consecutive years, comfortably beating inflation.

So, for investors looking for stable returns, Fortis is a relatively safe stock that won't keep you up at night.

Enbridge

Another safe TSX dividend stock with a much higher dividend yield is **Enbridge** (TSX:ENB)(NYSE:ENB). It operates the largest energy pipeline network in North America.

Though it belongs to the risky energy sector, Enbridge is a relatively low-risk stock. That's because it generates earnings based on long-term, fixed-fee contracts. So, even if oil and gas prices fall, its earnings do not hamper.

ENB stock yields a juicy 6% at the moment, one of the highest among Canadian bigwigs. Moreover, it has increased shareholder payouts in the last 27 consecutive years.

Notably, energy pipeline stocks are much less volatile than energy producer stocks. ENB stock has returned 130% in the last 10 years, outperforming the **TSX Composite Index**.

National Bank of Canada

Canada's sixth-largest **National Bank of Canada** (TSX:NA) is my next pick for dividend investors. NA stock is currently trading at a dividend yield of 3.9%, higher than TSX stocks.

Canadian banks are well placed in the current situation with interest rates rising and economic re-openings. Higher rates could notably boost their net interest margins, lifting their earnings in the next few quarters.

In the last 12 months, National Bank's net income jumped to $3.3 billion versus $2.08 billion in the earlier comparable period. Both commercial and personal lending saw encouraging growth in this period.

Interestingly, despite being the smallest among Canada's top banks, NA stock has returned 250% in the last decade, notably outperforming TSX bank stocks on average.

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