Dividend Lovers: 3 U.S. Stocks to Turbo Charge Your Portfolio

Description

Are you a Canadian dividend investor looking to diversify into U.S. stocks?

If so, there's never been a better time to get started than now. The U.S. stock markets are down far more than the Canadian markets this year, which means that their dividend yields are rising faster. For the year, the S&P/TSX Composite Index (the Index of Canadian stocks) is only down 13%. The S&P 500, meanwhile, is down 23%. So, U.S. dividend yields are making gains compared to Canadian dividend yields.

Canadian stocks still have higher average dividend yields than U.S. stocks, but some individual U.S. stocks are starting to get interesting. In this article, I will look at three U.S. dividend stocks that could turbocharge your portfolio.

Bank of America

Bank of America (NYSE:BAC) is America's biggest bank. With a 2.77% dividend yield, it won't deliver huge income initially, but the payout could grow over time. According to GuruFocus, BAC's dividend has grown at 24% per year over the last five years. If the company can keep up even maintain half that growth rate over the next five, then people who buy today will see their yield on cost double in that timeframe. For reference, "yield on cost" means dividends divided by stock price at time of purchase.

There are some signs that Bank of America will, in fact, be able to keep raising its dividend. First of all, it has a payout ratio (dividends divided by earnings) of only 29%, suggesting plenty of room to raise the payout. Second, unlike other U.S. banks, BAC's revenue is still growing this year. Third, industry leaders like Elon Musk have indicated that if we enter a recession, it will be over by the first quarter of 2023, so banks should start growing their earnings again after that. Overall, I'm very excited about buying BAC at today's depressed prices.

Micron Technology

Micron Technology (NASDAQ:MU) is a U.S. chip stock that has a 0.92% dividend yield. That yield is extremely low, but you need to consider the role that a company like Micron can play in your total portfolio. Micron makes computer chips like RAM (short-term memory) and Flash (long-term memory). These commodities are vital to the tech industry, and there are only three big companies on earth making high-quality RAM.

It's a great position to be in, and Micron gives you a cut of the profits. Just be ready for some turbulence if you buy MU today, as RAM prices are currently trending downward because of the big tech slowdown. This stock is not for the faint of heart.

Coca-Cola

Last but not least, we have one of the greatest dividend stocks of all time, **Coca-Cola** (NYSE:KO). This stock is legendary for having given Warren Buffett a 2,500% price return after he bought it in the late 1980s. KO's dividend has risen so much since the late 1980s that Buffett is now getting a 60% yield on cost on the position! To put that in perspective, with a 60% yield, you're earning back your entire initial investment every year and a half. You would make an extreme profit at a 60% yield, even if the asset price went to zero.

Of course, Coca-Cola is unlikely to make such extreme gains in the future, but its current 3% yield isn't too shabby. Plus, the company has a beloved and widely recognized brand and lucrative partnerships with many of the world's top restaurant chains. It has a solid competitive position, suggesting that it will be able to continue delivering good results in the future.

CATEGORY

1. Investing

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1. Inc.)
2. NASDAQ:MU (Micron Technology, Inc.)
3. NYSE:BAC (Bank of America)
4. NYSE:KO (The Coca-Cola Company)

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