2 Top Canadian Dividend-Growth Stocks to Buy Right Now

Description

Dividend-growth stocks are a great way to compound portfolio growth. By investing in a company that pays regular dividends and increases the dividend payout constantly, investors can earn higher passive income or use the payouts to buy more shares of a given stock. Dividend stocks can be great options in the face of rising inflation and possible market downturns.

Here are two top Canadian dividend-growth stocks that investors can consider buying at this moment.

Top dividend growth stocks: Fortis

Fortis (TSX:FTS) is a global provider of gas and electricity utility services. The company operates in Canada, the United States, and the Caribbean countries. With 93% of its total assets as investments in infrastructure, Fortis supports the safe and reliable transmission and distribution of energy to its global clientele.

Currently, Fortis has a total market cap of around $24 billion. Thus, this isn't some small company we're talking about. However, it's Fortis's 4.5% dividend yield that many long-term investors like.

While this yield is certainly solid, it's near the higher end of the range Fortis has provided over the long term. That's because Fortis consistently raises its distribution in line with earnings, with investors tending to keep this yield in the 3.5% to 3.9% range.

For a dividend-growth stock like Fortis, which has raised its dividend for 48 consecutive years, this higher-than-average yield provides a great buying opportunity. Sure, bond yields have surged, and this dividend yield is comparatively average. However, over the long term, I expect Fortis's distribution to continue to rise. Thus, this is a much better option for investors seeking passive income over the long term, in my view.

TD Bank

Toronto-Dominion Bank (TSX:TD) is an international banking institution that has its headquarters in Toronto. Apart from Canada, this bank has a vast client base in the U.S. and all over the world. Toronto-Dominion Bank, at the time of writing, has a market cap of around $150 billion. This large-cap stock also provides a dividend yield of 4.3%, which is similarly attractive.

Like Fortis, TD has managed to raise its dividend (when allowed) on a very consistent basis. The company's rather significant payout, coinciding with long-term dividend growth attached to earnings growth, provides investors with a similarly steady stream of income over time.

No one knows exactly how deep the potential recession we're headed into will be. Accordingly, some doubt may be placed on banks moving forward. That said, should TD's yield breach the 5% level, I expect to see more interest from institutional investors. Thus, for retail investors looking at this stock, perhaps a patient averaging-in approach makes the most sense.

Both of these dividend-growth stocks are among the best the TSX has to offer. For long-term investors, a portfolio with one or both of these stocks should outperform over time.

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