Dividend Stock Smackdown: TSX Stocks vs S&P 500

Description

Investors seeking passive income have plenty of options in 2022. Even traditional bonds and savings accounts now offer higher interest rates, which makes them more attractive. In fact, some savings accounts offer nearly the same return as high-yield dividend stocks.

However, if you're looking for a dividend stock, is it better to invest in Canada's TSX index or the US' S&P 500 index? Which country offers better dividend stocks? Here's a closer look.

Canadian dividend stocks

On average, TSX stocks offer a 3.2% dividend yield. That's less than half the rate of inflation. However, energy and utility companies offer the best yields.

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN) is an excellent example. The stock offers a lucrative 6.7% dividend yield. That's double the average rate and nearly as high as inflation. In fact, Algonquin's earnings could keep pace with inflation. The utility is an essential service provider and has the pricing power to sustain margins.

These stable margins and expanding revenues have helped Algonquin boost dividends by an average of 9% a year since 2012. This trend is set to continue for the foreseeable future, given the global energy crisis we face. That means real returns on Algonquin stock could be far higher than its current 7% yield.

Put simply, Canadian investors can bet on this safe dividend stock to preserve wealth. But if you're seeking dividend growth and wealth creation, you may have to look south of the border.

US dividend stocks

The US has plenty of utility and energy companies. But its economy is better diversified, which means there are attractive dividends in other sectors, too. Pharmaceutical, retail, and technology stocks offer impressive returns for shareholders.

Lumen Technologies (NYSE:LUMN) is a good example. The Louisiana-based company offers enterprise cloud, networking, and communications services. At its current market price, the stock offers a 14% dividend yield. That's nearly double the rate of inflation!

However, Lumen is comparatively riskier than most dividend stocks. The company has US$28 billion in debt on its books. With interest rates rising, this debt burden could put the company in jeopardy. However, if the management team pulls off a turnaround and tackles the debt, this stock could soar and deliver tremendous returns for patient shareholders.

A hybrid opportunity

If you're looking for the perfect balance between risk and reward, **Slate Grocery REIT** (TSX: SGR.UN/SGR.U) could be an ideal target. The company is listed in Canada but owns commercial properties across the US.

Slate's portfolio includes grocery stores across the country that are anchored by major retailers. These retail grocery giants are relatively recession-resistant, which means Slate's cash flows and rental yields are secure for the foreseeable future.

The stock currently offers an 8% dividend yield. That's substantially higher than average in both Canada and the US. For investors seeking a reliable dividend growth stock that can ride out the economic turmoil, Slate Grocery REIT is an ideal target. Keep an eye on it.

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2. NYSE:LUMN (Lumen Technologies)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:SGR.U (Slate Retail REIT)

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