



How Safe Are Dividends in a Declining Market?

Description

Seasoned investors understand the nature of dividend stocks and the payouts that come with them. Dividend-paying companies, through the board of directors, have the sole discretion of sharing a portion of profits with shareholders if [market conditions](#) are desirable.

Dividends in a declining market

In 2020, many companies across various sectors suffered business reversals from government-mandated lockdowns and social-distancing measures. **Whitecap Resources** ([TSX:WCP](#)) and **RioCan** ([TSX:REI.UN](#)) were established dividend payers pre-pandemic but had to stop the payouts during the coronavirus breakout.

Stopping or suspending payments was a hard pill to swallow, because dividends are enticing for investors. These decisions were necessary to preserve cash and protect the balance sheets. Fortunately, the energy stock and real estate investment trust (REIT) have recovered since and reinstated dividends.

Incredible comeback

Whitecap Resources is back on investors' radars in 2022 because of its incredible recovery from the oil slump two years ago. As of this writing, the energy stock is a winner with its 42.24% year-to-date gain. At \$10.32 per share, the dividend yield is an attractive 4.1% dividend.

In the first three quarters of this year, net income declined 13% to \$1.35 billion versus the same period in 2021. However, elevated crude prices and strong production growth drove cash flow from operating activities and free funds flow higher. They soared 105% and 169% year over year to \$1.62 billion and \$1.22 billion, respectively.

The \$6.38 billion oil and gas company is ecstatic about acquiring XTO Energy Canada assets from **ExxonMobil** and **Imperial Oil** and its integration into the business. Whitecap targets a net debt

milestone of \$1.3 billion in mid-2023, and, if successful, management plans to return 75% of free funds flow to shareholders.

Evolving REIT

RioCan has weathered the downturn in 2020 and is attracting income investors again. If you invest today, the dividend offer is a juicy 5.21% (\$19.56 per share). Its president and chief executive officer Jonathan Gitlin said management's strategy focuses on driving growth and creating value over the long term.

The \$6.04 billion REIT plans to continuously evolve its portfolio to meet ever-changing market demands with more essential and resilient tenants. Gitlin is confident about RioCan's growth trajectory in the back half of 2022 due to the ongoing demand for quality real estate. He added that the quality and positioning of the portfolio plus balance sheet strength should drive performance.

Dividend Aristocrats

Publicly listed companies pay, slash, or stop dividend payments depending on financial and economic factors. However, long-term investors and those building retirement wealth won't leave anything to chance.

Dividend Aristocrats, or stocks with lengthy dividend-growth streaks, are available on the TSX. You can limit your stock holdings to companies with amazing track records of payouts to feel safe.

Nearly all primary sectors have Dividend Aristocrats, although **Canadian Utilities** ([TSX:CU](#)) is the perennial choice owing to 50 consecutive years of dividend increases. Also, the utility stock is one of only two Canadian Dividend Kings.

The \$9.75 billion global company derives revenues from highly regulated utility and energy infrastructure assets. Current investors are ahead +1.68% year to date and enjoy a 4.96% dividend. At \$36.03 per share, you're paying for [peace of mind](#) in addition to uninterrupted passive income every quarter.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:WCP (Whitecap Resources Inc.)

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