3 Classic Dividend Stocks on Sale Today

Description

It's difficult to go wrong with the classics, whether it be movies or stocks. They may have their own pace and might not be as exciting as some of their peers, but their safety and reliability have an appeal that's difficult to miss. And that appeal becomes even more compelling when such stocks are trading at a discount.

Classic dividend stocks are even more attractive when discounted, because, in addition to offering good value, they also offer higher yields.

But it's important to remember that even though you can significantly mitigate the risk of those dividends being slashed or suspended by choosing from the aristocratic pool, you can't completely eliminate it. So, make sure you look into the reasons behind the discount and ensure that it wasn't triggered by a fundamental flaw in the stock.

A bank stock

Canadian banking stocks are usually safe bets, thanks to safe banking practices and stringent financial safety measures in place. Yet they are not entirely immune to market dynamics.

An excellent example of this is **Canadian Imperial Bank of Commerce** (TSX:CM), that's currently offering one of the best discounts in the banking sector. The stock fell almost 30% from its peak, and even though it's stabilizing now, the current discount is still 23%.

And it's not just the price that's discounted. The stock is trading at a price-to-earnings ratio of just nine, and the price-to-book ratio is at 1.2.

Naturally, the yield has gone up and is currently 5.2%. The payout ratio has fallen to 2018 levels, indicating higher levels of financial stability. And if the bank maintains its dividend-growth pattern, you may see a dividend hike in the next quarter.

A utility company

If dividend safety is your priority, **Fortis** (TSX:FTS) might be the right pick for you. This utility company is just a year away from becoming a Dividend King (50 consecutive years of dividend increases) and has the second-highest dividend-growth streak in the country. A company like Fortis is highly unlikely to slash its dividend, especially when supported by such a stable business: utilities.

Utility companies like Fortis, with millions of electric and gas clients in multiple countries, are considered safe because their revenue is tied to utility bills, which most people pay consistently. And this safe dividend stock is currently available at a considerable 18% discount from its last peak, which has pushed the dividend yield up to 4.3% — a relatively attractive number.

A mortgage company

First National Financial (TSX:FN) offers a different mix of safety and yield. It's one of the largest mortgage lending companies in the country outside the banking sector, which naturally dominates the mortgage market. It's also an Aristocrat that usually slips in an attractive special cash dividend almost yearly.

The stock has fallen 34% already (from its 2021 peak), and it may slip further due to its exposure to the housing market, making it slightly riskier than the other two.

But its leadership position within its niche market segment and a stable payout ratio that's far from its highest level in the last 10 years gives us hope regarding the stability of its dividend. And if you believe in its ability to maintain its dividend-growth streak, then locking in the incredible 6.9% yield is quite a smart thing to do.

Foolish takeaway

While not all three can be considered undervalued stocks, they are all adequately discounted and offer healthy yields, making them attractive buys right now. All three can be considered classically safe dividend bets, as they are among the leaders within their respective industries and have strong dividend histories.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CM (Canadian Imperial Bank of Commerce)
2. TSX:FN (First National Financial Corporation)
3. TSX:FTS (Fortis Inc.)

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