2 of the Safest High-Yield Dividend Stocks in Canada

Description

The market correction is driving up yields on dividend stocks as share prices slide. Investors who rely on dividends for passive income are wondering which companies with high yields are now good to buy for the safety of their dividend payouts.

Enbridge

Enbridge (TSX:ENB) recently raised its dividend by 3.2%. This is the 28th consecutive annual increase to the distribution, and investors should see the steady trend continue, even if the economy falls into a recession in 2023 or 2024.

Enbridge's pipeline businesses act as toll booths, charging fees for providing transmission services to energy producers. The energy infrastructure divisions moves about 30% of the oil produced in Canada and the United States and a fifth of the natural gas used by American homes and businesses.

In addition, Enbridge operates natural gas distribution utilities in Canada that serve millions of customers. This business generates steady revenue and cash flow in all economic conditions. Clients need to heat their buildings, regardless of the state of the economy.

Management's recent investments indicate a shift to take advantage of growing opportunities for oil and natural gas exports. Enbridge purchased an oil export terminal in Texas in 2021 and has taken a 30% ownership position in the Woodfibre liquified natural gas development in British Columbia.

On the renewables side, Enbridge continues to grow its portfolio of assets. The company completed a large offshore wind farm in France last year and acquired an American renewable energy project developer.

Enbridge's share price is up 6% over the past 12 months, although it is down about 10% from the 2022 high. Investors who buy at the current price near $54 can get a solid 6.5% dividend yield.

The distribution should continue to grow in the 3% range over the next few years, supported by the $17 billion capital program and potential new acquisitions.

BCE

BCE (TSX:BCE) looks oversold right now near $61 per share. The stock traded as high as $74 last year, so there is decent upside potential, and the current dividend provides a 6% yield.

BCE is Canada's largest communications company with a market capitalization of more than $55 billion. The firm has a strong balance sheet that enables BCE to make investments in new technology and network upgrades to protect its competitive position and drive future revenue growth. BCE connected roughly 900,000 more customers with fibre optic lines last year and continues to build out its 5G mobile network.

BCE also has a media group that includes a television network, specialty channels, radio stations, digital assets, and investments in professional sports teams. Retail operations across the country round out the portfolio.

When you combine the mobile, internet, and TV services with the media assets you get a powerful business that has the potential to interact with most Canadians on a daily basis. In fact, each time a person in Canada sends a text, calls a friend, checks e-mail, streams a movie, watches the news, listens to the traffic report, or watches a pro sports game, the odds are pretty good that a BCE asset is involved somewhere along the line.

BCE increased its dividend by at least 5% in each of the past 14 years. Investors should see a similar hike for 2023, supported by solid 2022 financial results.

The bottom line on top high-yield dividend stocks

Enbridge and BCE pay attractive dividends that should continue to grow. If you have some cash to put to work in a portfolio focused on passive income and total returns, these stocks look cheap today and deserve to be on your radar.

CATEGORY

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