3 of the Safest Dividend Stocks in Canada

Description

The safety of a dividend stock can be assessed from characteristics like a stellar history, strong financials, a safe business model, etc. The more of these characteristics a dividend payer has, the safer it might be considered. With that in mind, here are three of the safest dividend stocks in Canada that you may consider investing in.

The oldest aristocrat

Canadian Utilities (TSX:CU) is the first to achieve the status of a Dividend King by growing its payouts for five consecutive decades. This makes it the oldest "Aristocrat" in Canada and, as a King, it's a dividend stock in a class of its own (though **Fortis** is right on its heels). This gets the company a check from a dividend history perspective.

Another major check the company gets (for a safe dividend stock) is for its business model/industry. It's a utility company, making it one of the safest businesses. The financials/revenues of utility businesses are quite consistent and immune to the most adverse market dynamics. This allows utility companies to easily afford their dividends and consistent growth is the cherry on top.

A safe bank stock

The Canadian financial sector is massive, and at the helm are the Big Five. Even though all five bank stocks are among the safest dividend picks in the country, **Canadian Imperial Bank of Commerce** (TSX:CM) is currently offering one of the best yields. The current yield of 5.8% results from the 29% decline the stock has suffered since its last peak, making it both discounted and undervalued.

Banking institutions are not inherently (relatively) safe like utility companies, but since Canadian banks are well regulated and have a conservative approach to banking, they tend to fare better in financial crises. We saw an example of it in the Great Recession, and this strength will be valid in future financial downturns as well.

A food retail stock

Empire Company (TSX:EMP.A) is the parent organization of Sobeys, the second-largest food retailer in Canada (by grocery sales). Just like utilities, groceries are a necessary expense that sees less fluctuation than discretionary spending, regardless of the financial climate. People need to eat, even when there is a recession, which makes grocery business revenues relatively immune to market downturns.

But that's not all that Empire Company does. It's also the parent organization of a real estate investment trust whose portfolio is anchored by Sobeys. This diversification adds another layer of safety to the business model.

Empire is not a dividend stock that may seem alluring based on yield alone, as it rarely breaks through the 2% mark. It's 1.84% at the time of writing this. The payout ratio, however, is typically rock solid, and it's an established Aristocrat, making it one of the safest dividend stocks in Canada. The capital-appreciation potential of the stock easily makes up for what it lacks in yield.

Foolish takeaway

Two of the three safe dividend stocks are offering good yields, but you can lock even better ones by leveraging a stronger bear market. As all three are Dividend Aristocrats with a healthy history of growing their payouts, your dividend income can stay a step ahead of inflation.

CATEGORY

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2. TSX:CU (Canadian Utilities Limited)
3. TSX:EMP.A (Empire Company Limited)

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