Top Canadian Dividend Stocks Yielding over 5% in January 2023

Description

Being lazy pays off big time in long-term investing. Investors sitting with high-yield, quality dividend stocks have outperformed those with fancy growth stocks in their portfolios. And that's because aggressive investors churn their portfolios a lot as growth stocks are inherently more volatile.

While lazy investors buy and forget and live off dividends. It is really an underrated strategy to pick high-quality dividend stocks and stay invested for decades. This post is about those Canadian dividend stocks that have created a sizeable reserve for investors with this strategy.

Canadian markets have a few names that offer an attractive yield of over 5%. When broader markets offer around a 2%–3% dividend yield, stocks that offer double that yield are indeed attractive.

Enbridge

Enbridge (TSX:ENB), North America's biggest energy midstream company, currently yields 6.4%. It has raised shareholder dividends for the last 28 consecutive years. Earnings stability has made it capable of such a feat through the 2014 energy crisis and the pandemic.

Enbridge has a unique oil and gas pipeline network that ensures financial stability. Even when oil prices are low, its long-term, fixed-fee contracts enable stable earnings growth, ultimately facilitating stable dividends.

ENB stock has returned 7% in the last 12 months, notably underperforming TSX energy stocks. The underperformance is justified as higher oil prices do not benefit pipeline companies as they do energy producers. While this may lead to lower returns during a high oil price environment, this also makes them relatively safe and stable investment avenues in bear energy markets.

ENB stock has delivered an average annual total return of around 8% in the last decade.

Canadian Utilities

Utilities is another sector where companies grow steadily in almost all kinds of economic cycles. **Canadian Utilities** (TSX:CU) is one classic defensive stock that currently yields 5%. CU stock has a dividend growth streak of 50 years, the longest for any Canadian-listed company. Importantly, the dividend growth is expected to continue, driven by its large rate-regulated operations and stable earnings.

CU stock saw a deep drawdown in October last year. However, it has recovered recently to some extent. It has returned 12% in the last 12 months, beating broader markets. However, the stock has underperformed TSX utility peers in the long term. Including dividends, peers returned 9% on average annually, while Canadian Utilities stock returned 5% in the last decade.

If you are looking for stable dividend income for years, with stability on your mind, CU stock is a prudent bet for you.

BCE

Telecom giant **BCE** (TSX:BCE) is another safe stock with a juicy yield of 6%. Supported by stable dividends for years, BCE stock has returned 9% on average annually in the last decade.

BCE is Canada's largest telecom company by market cap and second-largest by subscribers. Like utilities, telecom companies also see slow-but-stable earnings growth driven by their regulated operations.

BCE has been aggressively investing in capital projects for the last few years. Its investments in 5G and network expansion will likely support its stable earnings growth in the future.

The telecom giant's strong balance sheet and scale stand relatively taller in the three-player dominated Canadian telecom sector. Consistently growing dividends and less volatile BCE stock looks particularly strong in these volatile markets.

CATEGORY

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2. TSX:CU (Canadian Utilities Limited)
3. TSX:ENB (Enbridge Inc.)

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Author
vinitkularni20