2 of the Safest High-Yield Dividend Stocks in Canada

Description

How do you identify a safe dividend stock? Dividend history, business model, and company financials are three of the factors investors typically look into. But when you are looking for the safest dividend stocks, you have to look into all three and more to ensure that your dividends are not going anywhere. The list becomes small when you also sift them through a "high-yield" benchmark.

Still, multiple stocks fit the bill, and two of them should be on your radar.

A telecom giant

As the largest telecom company in Canada (by market cap) and one of the most coveted 5G stocks (even though it's not the top player in this domain), **BCE** (TSX:BCE) can be considered an incredibly safe stock. This is not to say that the company is "too big to fail," but it's quite close.

The safety also comes from the telecom sector in Canada, where three giants control the bulk of the market. They have their market segments and domains and face little competition from local or foreign entities in their primary services.

Then there is the advent of the Internet of Things (IoT), which requires 5G and wireless internet connection. More and more devices are coming online in Canada every year, and many of them would rely on BCE (and the other two giants) for their internet connectivity needs. So, the company may experience more growth in the coming years, catering to their "machine" customers (IoT devices).

The company has a strong dividend history and has grown its payouts for 13 consecutive years. It's halfway towards becoming an Aristocrat in the U.S. as well, where it's also cross-listed. The dividend growth is also adequate. It has raised its payouts from $0.7550 per share (in 2018) to $0.9675 per share (in 2022).

The financials look healthy, and its debt is smaller compared to its market cap than its two main competitors. The only chink in its armour is the payout ratio. But since the company has raised its payouts during the 2020 crash and through even higher payouts, it can still be considered one of the safest dividend stocks in Canada that are currently offering a juicy 6.3% yield.

An energy giant

Enbridge (TSX:ENB) operates one of the largest energy transportation (pipeline) networks in the world and is responsible for a significant portion of the energy used by the U.S. population. It's also the largest energy company in Canada by market cap.

The pipeline-based business model is relatively sheltered against oil price fluctuations, making Enbridge inherently safer (to a limited degree) than most other energy stocks. This is evident from sector-wide crashes and corrections. Another layer of safety comes from its diversified lines of business, which include the gas utility business (the largest in North America by volume) and renewables.

The financials are in adequate condition, and the company has adopted a more conservative dividend growth policy, indicating its long-term commitment to sustain its payouts. This perfectly augments its stellar dividend history — i.e., about 28 years of dividend growth. The company is currently offering a juicier 6.5% yield.

Foolish takeaway

Two of the safest dividend stocks are decent enough on the capital appreciation or preservation front. If you hold on to them long enough, there is a higher probability of the stocks *growing* your capital rather than reducing it over the years.

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