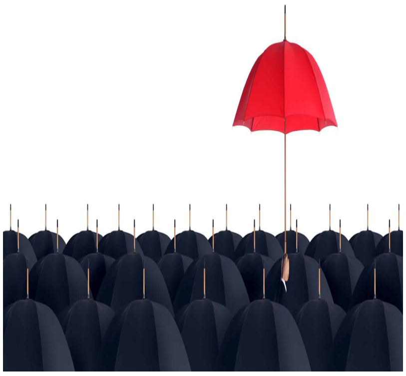

3 of the Safest Dividend Stocks in Canada

Description

Portfolio re-balancing and construction (and re-construction) for 2023 are ongoing activities. Dividend investors may wish to check out the safest dividend stocks in Canada right now to minimize the pain of dividend cuts.

The beauty of a dividend investing strategy is that, without selling any stock, investors may realize reasonable income yields, irrespective of how the stock market performs each year. Dividends can pay the bills, augment a portfolio's total returns, and finance your next hot investment idea. Safe dividend stocks may provide a reliable source of investing firepower. Let's discuss three such "safe" dividend bets for 2023 and beyond.

Royal Bank of Canada stock

Banks are a natural source of secure dividends. The largest Canadian chartered bank**, Royal Bank of Canada** (TSX:RY), with more than $1.9 trillion in assets, pays one of the safest bank dividends in the financial sector.

The bank's dividend policy reflects its earnings outlook, its payout ratio objectives, and its capitalization levels. RBC paid out under 45% of its growing earnings in dividends in 2022. Canadian banks' common equity tier-one (CET1) capital requirements will increase from 10.5% to 11% by February 2023. The bank is more than adequately capitalized with a projected CET1 ratio of 11.5% post-HSBC Canada acquisition this year.

What's more, Wall Street analysts estimate RY stock's earnings could grow at about 5% per annum for the next five years. The bank will earn more money as interest rates remain high, especially if Canada avoids a recession in the near term. Even if a recession does come, RY stock and its quarterly dividend survived the Great Recession of 2008-09, the dividend may survive many more hurdles ahead.

RBC stock's dividend yields 3.8% annually. The bank has raised dividends for 12 consecutive years so far. RY stock paid more than $6.9 billion in dividends last year. It was the second-largest dividend payer on the TSX after **Enbridge's** $7.3 billion dividend in 2022.

CT REIT

CT Real Estate Investment Trust (TSX:CRT.UN) is a retail real estate investment trust (REIT) that pays one of the safest monthly distributions in the Canadian REIT space. The trust leases its properties mostly to its investment-grade, credit-rated former parent **Canadian Tire**.

CT REIT pays out $0.072 per unit in distributions every month to investors. The current distribution yields 5.2% annually. Back in 2022, the CT REIT distribution comprised a safe 74.5% of the trust's adjusted funds from operations (AFFO) for the year. AFFO measures a REIT's cash-based earnings. It is generally considered a better measure of distributable earnings than net income. Net income may include non-cash gains and losses on property revaluations, which are never distributable.

The trust's AFFO payout rate has stayed below 80% for several years, even as the trust persistently raised distributions every year, and there's room for further hikes. CT REIT has religiously raised its payouts every year for a decade.

CT REIT's distribution raises are supported by contractual rent escalations, a successful development program, and strong portfolio occupancy rates. The REIT's portfolio remained fully occupied with an industry-leading occupancy rate of 99.3% as of January 1, 2023.

Parex Resources

Energy stocks are making lots of money right now, and a $2.5 billion crude oil minor **Parex Resources** (TSX:PXT) shouldn't be a surprise feature among Canadian stocks that pay the safest dividends right now. The company's oil assets in Colombia are generating strong revenue and earnings growth given high oil prices and growing annual productivity.

Parex Resources has a strong cash-rich balance sheet with nominal debt. It paid out under 15% of its growing earnings as dividends in 2022. Management recently raised the regular quarterly dividend by 50% — even though the company faced some minor political disturbances in Colombia. The new quarterly dividend yields 6.5% annually.

The company provided production guidance for an 11% growth this year. Revenue, earnings, and cash flow should grow in 2023. An ongoing share-repurchase program targets reducing PXT stock's publicly traded shares by 10% this year. Shares trade cheaply at a forward price-to-earnings multiple of 3.5. Capital gains could accrue on the undervalued stock.

If you wish to receive the first quarter dividend for 2023, you should buy PXT stock before March 14.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:PXT (PAREX RESOURCES INC)
3. TSX:RY (Royal Bank of Canada)

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