3 Dividend Stocks That Deserve a Spot in Your Portfolio

Description

While investors often turn to other companies in search of growth stocks, Canada has more than its fair share of outstanding dividend companies. It's for this reason that Canadians may be more dividend oriented than our neighbours to the south. With that in mind, it can be difficult to decide which companies to include in your portfolio. In this article, I will discuss three dividend stocks that deserve a spot in your portfolio.

Choose this company for its reliability

One characteristic of dividend stocks is that they tend to be much more reliable through periods of economic uncertainties. This is often because the companies that pay dividends are "backbone"-type companies that communities rely on regardless of what economic conditions we find ourselves in. Take **Fortis** (TSX:FTS)(NYSE:FTS) for example. The company provides electric and gas utilities to more than 3,300,000 customers in Canada, the United States, and the Caribbean.

Fortis is known for holding the second-longest active dividend-growth streak in Canada. The company has managed to increase its dividend for the past 47 years. Over that time, Fortis has maintained a 6% average annual growth. The company projects to continue increasing distributions at this rate until at least 2025. Fortis also has a very acceptable dividend-payout ratio of about 50%, which further supports the idea that it will be able to continue increasing its dividend over the coming years.

Railway companies are the backbone of the country and should be the backbone of your portfolio

The Canadian railway companies are giants in their industry and are known to be excellent sources of growth and dividend income. **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is one companythat belongs in every portfolio. If you're unconvinced, maybe Bill Gates can help change your mind. Asof the end of 2020, Canadian National was the fourth-largest holding in his portfolio, representing8.35% of all equities.

Since its IPO, Canadian National has returned nearly 4,800%, which represents an average annual return of 17.3%. This compares to an average return of 4.8% by the **TSX** over that period. Another Canadian Dividend Aristocrat, Canadian National has managed to increase its dividend for 25 consecutive years. Like Fortis, the company maintains an excellent dividend-payout ratio of 46%, suggesting possible dividend increases in the future.

This reliable company is also a hidden growth stock

There are three industries in Canada that are dominated by clear leaders. The rail industry, as mentioned previously, the banking industry, and the telecom industry. Among the telecom leaders, **Telus** (TSX:T)(NYSE:TU) stands out as a top choice. While **BCE** and **Rogers** have excellent networks and optionality in their telecom offerings, neither company challenges Telus as an up and comer in the telehealth industry. This fact makes Telus so much more attractive than its peers.

Telus is another Dividend Aristocrat, having increased its dividend in each of the past 17 years. Currently, the company offers a very attractive dividend yield of 4.79%. While its dividend-payout ratio is much higher than the other two stocks mentioned in this article, the company's history of smart capital allocation should provide reassurance in continued dividend success in the future.

Foolish takeaway

Canada is an outstanding market for those interested in adding dividend companies to their portfolio. Companies like Fortis, Canadian National Railway, and Telus have strong histories of increasing dividend distributions. All three companies are in position to continue doing so in the future and deserve a spot in your portfolio.

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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TU (TELUS)
4. TSX:CNR (Canadian National Railway Company)
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