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Canadian Dividend Reinvestment Plans (DRIPs)

An online resource with information, news and views on the world of DRIPs

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S&P/TSX Canadian Dividend Aristocrats Index

In late October of last year, the S&P announced that they were introducing the [S&P/TSX Canadian Dividend Aristocrats Index](#). Similar in nature to the American version, which is entitled the [S&P High Yield Dividend Aristocrats](#), the indices select the most consistent dividend-paying stocks in their respective markets.

However, the criterion used to select them differs widely. Whereas the American list states that companies must have increased dividends every year for at least 25 consecutive years, the Canadian edition only requires that a firm have increased dividends every year for at least seven consecutive years. Conversely, compare this to the [Mergent's Dividend Achievers](#) list and the S&P actually requires an extra two years of increased dividends. Does this ensure consistent dividend growth for the corporations on the S&P list in the years to come? Only time will tell.

Even with the much stricter standards, the U.S. list contains 49 companies. The Canadian version only contains 36 as of December 21, 2007. The discrepancy is probably related to the difference in size of the two markets. If Canada used the 25 year criteria then the list would be very short indeed. As it is, both the Mergent's and S&P lists mirror one another. About half of the companies listed have a Dividend Reinvestment Plan (DRIP) and of those corporations I would say most offer a Share Purchase Plan (SPP) or Optional Cash Purchase Plan (OCP) which allows the user to purchase additional stocks through the company's transfer agent.

The index is weighted heavily (approximately 60%) towards the Financials and the list includes businesses like AGF Management Limited (AGF.B), Manulife Financial (MFC), Royal Bank of Canada (RY) and Sun Life Financial (SLF). The next highest emphasis is Energy and Utilities (about 27%) with AltaGas Income Trust (ALA.UN), Enbridge Incorporated (ENB), Energy Savings Income Fund (SIF.UN) and Imperial Oil (IMO) leading the way.

Although the S&P/TSX Canadian Dividend Aristocrats Index and Mergent's Dividend Achievers list are very similar, the addition of another directory of high dividend paying stocks to the Canadian landscape is a welcome addition for investors looking for solid stocks to invest in.

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