



9 Hot Dividend Stocks for 2016

By Christine Giordano
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Income Investing Made Easy

Turbulence aside, dividend stocks typically perform well in a slow-rising rate environment. In fact, studies show that dividend stocks saw strong performance in seven of the past 10 tightening cycles of rising interest rates. And while they should never be considered a substitute for the fixed-income portion of an investor's portfolio, dividend stocks have experienced lower periods of volatility than other types of equities, says Mathew Dahlberg, an advisor with Main Street Investments in Kansas City. Here are nine hot dividend stocks to consider for 2016.

Procter & Gamble Co. (ticker: PG)

Consumer products giant Procter & Gamble, a maker of household cleaning and personal care products and prescription drugs, has increased dividend payments for 59 years. PG stock was down 12 percent in 2016 and is off its 2015 high by about 15 percent. "By separating businesses, spinning off divisions and re-energizing growth, Procter & Gamble could surprise", says Chris Bertelsen, chief investment officer at Global Financial Private Capital.

Verizon Communications (VZ)

Think of who receives your cellphone payment and has services that even works underground – sometimes – in a New York subway. "Mobile usage, data usage, 3g to 4g, faster internet and all kinds of other phone and Internet services are growing quietly, and will continue to do so for the next four years," Bertelsen says." Combine that with Verizon's strong financial, few dollar worries and international woes, and this 5 percent yielder becomes very attractive."

International Business Machines

IBM has been showing off new uses for its artificial intelligence technology, Watson, which can help warn diabetics when their blood sugar is low, create a more compassionate robot and provide a virtual workout coach. "Warren Buffett is a big believer in IBM and has reiterated his support for IBM, a stock he began purchasing in early 2011. ... While he hasn't been infallible, people who bet against Buffett haven't been very successful," says Robert Johnson, president and CEO of The American College of Financial Services.

Apple (AAPL)

Yup, Apple's on another "best of" list. "Solid revenue streams, a widely trusted brand and a beautiful price-to-earnings ratio all combine to put AAPL in a wonderful situation for the next 12 months. The rumors that they could increase their dividend will only grow and become supportive of Apple's shares on their march higher," says Peter Leeds, CEO and senior analyst at Peter Leeds Inc., based in Toronto.

Johnson & Johnson (JNJ)

Currently trading at below market multiples, Johnson & Johnson is a great long-term company, says Matt Reinger, CEO of Wela, a digital financial advisory firm in Atlanta. "And the possibility of the company taking on corporate actions like buybacks or spinoffs of divisions makes the valuation that much more compelling," he says.

Duke Energy Corp. (DUK)

Duke Energy is involved in electric power and natural gas distribution, providing power to residential, general service and industrial customers as well as retail distributors, utilities and independent power producers. "Duke is following the NextEra energy model of diversifying, consolidating and growing renewable power sources," Bertelsen says. "Last year was an uncomfortable year to own utilities, but a 4.7 percent dividend by decade's end that promises to grow in a geographical area with a growing population could be a cure for the near-zero interest rate blues."

Destination Maternity Corp. (DEST)

Destiny Maternity designs and sells maternity apparel. The company anticipates gross margins to improve by 100 basis points throughout 2016, while capital expenditures will drop from \$40 million in 2014 to a meager \$16 million, Leeds says. "Meanwhile a completed relocation mixed with a few management improvements will set DEST up for an excellent year in terms of operations and share price," Leeds says.

ICICI Bank (IBN)

ICICI Bank is the largest bank not owned by the government in India, where the middle class is enjoying a rapid increase in growth. ICICI has more than 4,000 branches serving this growing segment of next-generation customers, Dahlberg says. But this is considered a high-risk play in an emerging market that is still full of state-backed players. "Additionally, U.S. investors will face currency risk if the dollar continues to appreciate, which should happen if the Federal Reserve raises interest rates beyond current market expectations," he says.

Cummins (CMI)

Cummins, based in Columbus, Indiana, creates, distributes and services diesel and natural gas engines and fuel systems, controls, air handling, filtration, electrical power generation systems, and, very important, emission solutions. “Cummins should benefit from a rising middle class in Asia due to the increased demand for better air quality,” Dahlberg says. “The company sells globally and also has joint ventures all over the world, meaning that it should also enjoy a boost from long-term global economic growth.”