The Top 10 Dividend Yields in the S&P/TSX 60

Description

Who else wants higher dividend yields?

Given today's low interest rates, a lot of people are raising their hands. Chequeing accounts pay next to nothing. GIC's return less than 2% per year. Heck, even a 50-year bond yields less than 3%. At those rates, you can't even keep up with inflation, let alone fund a comfortable retirement.

That's why top-yielding dividend stocks can be so tantalizing. As long as the payout is sound, that yield is sorely appreciated in today's dividend desert. If you can build a portfolio around a handful of names yielding 4% to 6%, you're well on your way to generating a respectable income.

With that being said, let's have a look at the current crop of top yielding stocks on the large-cap **S&P/TSX 60** index.

Company	**Yield**
Crescent Point Energy	6.37%
Canadian Oil Sands	6.17%
Penn West Petroleum	5.77%
Transalta	5.55%
BCE	5.04%
Enerplus	4.70%
Potash Corp. of Saskatchewan	4.25%
Rogers Communications	4.13%
Shaw Communications	4.07%
Canadian Imperial Bank of Commerce	4.05%

Source: Yahoo! Finance

Keep in mind that an abnormally high yield could be a red flag. Since yield and share prices move in opposite directions, a high payout could indicate that the market is worried about the underlying business or that the current dividend is unsustainable.

Case in point is **Penn West Petroleum** (TSX: PWT)(NYSE: PWE). The company is trimming costs and selling assets to boost profitability. Management has already cut the dividend to conserve cash and has announced plans to sell up to $2 billion in assets to lightened up its debt load.

It's a solid turnaround plan. The problem? Penn West has admitted that production volumns will fall in the near term, and likely in the coming years as well. With less cash coming in through the door, the dividend could once again be at risk.

Then there's **Potash Corp.** (TSX: POT)(NYSE: POT). At 4.25%, that dividend yield sure looks tasty. However, potash prices are plunging after producers in Russia and Belarus broke up their marketing alliance last year. While the company's dividend is likely safe, don't expect much in the way of payout hikes or capital gains in the near future.

However, there are a few good income ideas on this list. **BCE** (TSX: BCE)(NYSE: BCE), for example, has increased its payout at a 9.9% compounded annual clip over the past five years. Given the enormous free cash flow that the company generates and the barriers to entering the industry, shareholders can count on that dividend for decades to come.

CIBC (TSX: CM)(NYSE: CM) is also a great addition to any income portfolio. Have you tried starting your own bank in Canada? The cost of complying with regulations are prohibitive. And today, customers prefer the convenience of using one institution for all of their banking needs. Given the fact that stealing new clients is tougher than ever, CIBC's 4.05% payout is likely safe from any competitive threats.

Top yielding names on a respected list like the S&P/TSX 60 is a great place to starting looking for income ideas. Just be sure to dig into the financials to ensure you're buying a sustainable payout and not a dividend time bomb.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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