This Month’s Top 10 Dividend Yields in the S&P/TSX 60

Description

It’s an income desert out there.

Chequing accounts yield next to nothing. The return on GICs is less than 2% annually. Long-term government bonds barely yield above 3%.

At these rates, you can’t keep up with inflation, let alone fund a comfortable retirement. That’s why top-yielding dividend stocks are so attractive. If you can build a portfolio of names yielding 4%-6%, you’re well on your way to generating a respectable income.

With that said, I ran a screen for the highest-yielding stocks. However, to ensure that the list only included the largest, most reputable Canadian businesses, I have only included members of the **S&P/TSX 60** index. Here are the 10 highest payouts the screen produced.

Company	Market Capitalization ($B)	Yield
Crescent Point Energy	$19.6	5.90%
Canadian Oil Sands	$11.7	5.79%
TransAlta	$3.5	5.59%
Penn West Petroleum	$5.2	5.26%
BCE	$37.6	5.11%

Rogers Communications	$22.0	4.28%
National Bank of Canada	$14.9	4.23%
Shaw Communications	$12.1	4.17%
Enerplus	$5.4	4.12%
Canadian Imperial Bank of Commerce	$39.0	4.08%

Source: Yahoo! Finance

Of course, this list is a good place to start your research, but these are not formal buy recommendations. That said, this screen does reveal some interesting investment ideas.

Crescent Point Energy (TSX: CPG)(NYSE: CPG) is a good example. Last year the company posted double-digit production growth and 28% growth in funds flow from operations, and added 187 million barrels in new reserves. Given the company's strong position in emerging shale plays, shareholders can count on that growth to continue.

Most investors are really only concerned about the sustainability of the stock's 5.9% dividend yield. That said, Crescent Point is currently paying out less than 50% funds from operations — the lowest rate in the company's history. That means more hikes are likely on the way.

Canadian Oil Sands (TSX: COS), the owner of the largest stake in the Syncrude oil sands project, is also a nice way to profit from higher energy prices. The company is winding down its capital expenditure program over the next few years, which will free up an enormous amount of cash. Today, the stock yields 5.8%, but shareholders can count on more dividend hikes in the upcoming years.

Keep in mind, however, that an unusually high yield could be a warning sign. Since yield and share prices move in opposite directions, a high payout could indicate that the market is worried about the underlying business or the sustainability of the dividend.

Case in point: **TransAlta** (TSX: TA). While that 5.6% yield sure looks tasty, the company is saddled with a heavy debt load. Given that the company is barely profitable, there's real concern that the dividend could be cut again.

Then there's **Penn West Petroleum** (TSX: PWT)(NYSE: PWE). In a bid to clean up its balance sheet and improve profitability, management has announced plans to sell up to $2 billion in assets and cut costs. The problem is that with less cash coming in the door, the dividend could be at risk.

The bottom line is that top-yielding stocks from a reputable list like the S&P/TSX 60 are a great placeto look for new income ideas. Just don’t forget to dig into financial statements to ensure you’re buying a sustainable payout and not a dividend time bomb.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:TA (TransAlta Corporation)
3. TSX:VRN (Veren Inc.)

Category

1. Investing

Date
2025/08/27
Date Created
2014/06/25
Author
rbaillieul