Are the TSX's Top 10 Dividend Yields Safe Investments?

Description

It is becoming increasingly difficult for income-hungry investors to find income, as a range of fixed-interest investments typically associated with low-risk income investing pay little to no yield.

Savings accounts are offering interest rates of 0%, Guaranteed Investment Certificates are offering mediocre returns, and the yields on bonds are appalling, making dividend investing attractive in comparison. This is even more true when investors realize that they can invest in some of Canada's largest publicly listed companies, which are associated with financial stability, and still receive yields of over 6%.

What are the top 10 dividend yields in the S&P TSX 60?

Let's take a closer look at the 10 highest-yielding dividend stocks in the S&P TSX 60, which is the index composed of Canada's largest listed public companies. These companies are typically associated with financial stability due to their size and dominant market share in their respective industries.

S&P TSX 60 Top 10 Dividend Yields

Company	**Market Cap**	**Dividend Yield**	**Payout Ratio**
Crescent Point Energy (TSX: CPG)(NYSE: CPG)	$17.5B	6.25%	607%
Canadian Oil Sands (TSX: COS)	$11.5B	5.89%	82%
Penn West Petroleum (TSX: PWT)(NYSE: PWE)	$4.6B	5.88%	NA
TransAlta (TSX: TA)(NYSE: TAC)	$3.4B	5.71%	NA
BCE (TSX: BCE)(NYSE: BCE)	$37.8B	5.06%	95%
Rogers Communications (TSX: RCI.B)(NYSE: RCI)	$21.6B	4.35%	58%
Enerplus (TSX: ERF)(NYSE: ERF)	$5.1B	4.25%	235%
PotashCorp of Saskatchewan (TSX: POT)(NYSE: POT)	$32.5B	4.13%	82%
CIBC (TSX: CM)(NYSE: CM)	$39.2B	4.06%	51%
National Bank of Canada (TSX: NA)	$15.6B	4.02%	45%

However, while these may be Canada's 60 largest listed companies, size does not guarantee dividend stability.

Light oil heavyweight **Crescent Point Energy** (TSX: CPG)(NYSE: CPG), while paying the highest yield in the index, has a payout ratio of six times its net earnings, which upon initial impression appears very unsustainable. However, the company has consistently paid its steadily growing monthly dividend since 2003, and on a closer look it does appear sustainable, with oil production and cash flow continuing to grow.

Another standout dividend is **Canadian Oil Sands** (TSX: COS), which has the second-largest yield in the index and is certainly sustainable, with a payout ratio of less than 100%. Furthermore, stronger fundamentals in the energy patch will drive a stronger bottom line, helping to further ensure the sustainability of both energy companies' dividends.

Telecommunications giant **BCE's** (TSX: BCE)(NYSE: BCE) dividend is also appealing, with a yield of over 5% and a sustainable payout ratio of less than 100%. The company possesses a wide economic moat due to its dominant market position and the high barriers of entry into the telecommunications industry, which supports its ability to continue growing cash flow and its bottom line, further boosting dividend sustainability.

Both **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM) and **National Bank of Canada** (TSX: NA) offer solid yields for income-hungry investors, and also have a strong history of hiking their dividends while maintaining conservative payout ratios.

However, there are also some stinkers on this list. While **Penn West Petroleum** (TSX: PWT)(NYSE: PWE) has certainly made solid progress towards completing its turnaround program and restoring the health of its balance sheet, the company's dividend yield certainly does not appear sustainable at this time.

Crude production continues to decline as Penn West continues to divest itself of non-core assets. The company continues to report a net loss and a working capital deficit while continuing to pay what is an unsustainable dividend at this time.

These dividend payments, along with capital expenditures and the working capital deficit, are being funded through a combination of operating cash flow and the proceeds of asset sales. When these asset sales conclude, unless cash flow has grown significantly, Penn West will need to use debt to continue funding these dividend payments and other financial obligations.

TransAlta (TSX: TA)(NYSE: TAC) is another troubled company that has been struggling with profitability, and while its 5.6% dividend yield appears tasty, it is hard to justify such a large dividend payment when the company is bleeding red ink.

Despite this, Canada's 60 largest companies offer considerable potential for dividend-hungry investors. There are some juicy yields available for income hungry-investors among what are some of the country's strongest listed businesses.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)

2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)
4. TSX:VRN (Veren Inc.)

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