3 Dividends More Reliable Than Rental Income

Description

If you're looking for some yield on your savings like so many Canadians, you've likely considered buying a rental property. But this has various obstacles. Put simply, it's a big hassle, there are a lot of costs involved, and you end up with very little flexibility.

A better way to get yield is with solid, dividend-paying stocks. Below we take a look at three in particular.

1. Fortis Inc.

Any conversation about reliable dividends in Canada has to start with **Fortis Inc.** (TSX: FTS). Canada's largest investor-owned distribution utility has raised its dividend every year for the last 40 years. Remarkably, because of a lagging stock price, the company's shares yield a healthy 3.8%.

Contrast this with a rental property. Once you're done with finding a tenant – which could be costly – there is always a chance that rent won't be made in any given month. After all, even the most responsible people can lose their jobs. But as long as we need to keep the lights on, Fortis should keep churning out earnings and raising its dividend.

2. Thomson Reuters Corporation

The past few years have been a roller coaster ride for shareholders of **Thomson Reuters Corporation** (TSX: TRI)(NYSE: TRI). First came the merger between Thomson and Reuters, right before the financial crisis. Then came the crisis itself, followed by the disastrous release of financial product Eikon.

But through it all, the company has persevered, and is now finally turning the corner. It doesn't hurt that Thomson sells subscription-based products, which helps keep revenue and earnings stable.

Despite a recent stock price surge, the shares still yield 3.6%, and as a bonus, the dividend has been raised for six years straight.

3. Tim Hortons Inc.

At first glance, the dividend for **Tim Hortons Inc.** (TSX: THI)(NYSE: THI) doesn't seem that appealing. After all, it only yields 2.1%. Wouldn't a rental property get you more income? Well, not necessarily.

First of all, Tim Hortons' dividend has been growing at a torrid pace, up 360% since the company went public in 2006. Second of all, the company is paying out less than half its earnings to shareholders, so there's plenty of room to increase that dividend further. And finally, with such a strong franchise across Canada, earnings should be relatively stable, helping to support the dividend.

Meanwhile, if you own a rental property, then rent increases are capped by statute. And if there's a big real estate correction, then your rental income could be pulled in the wrong direction. Suddenly Tim Hortons' 2.1% yield doesn't seem so bad.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:FTS (Fortis Inc.)
3. TSX:TRI (Thomson Reuters)

Category

1. Investing

Date
2025/07/25
Date Created
2014/07/31
Author
bensinclair