



3 Top Dividend Stocks Yielding Up to 5%

Description

When asked what the song American Pie meant, Don McLean once replied, “It means I don’t ever have to work again if I don’t want to.”

How right he was. To this day, the tune that spent four weeks at number one on the charts in 1972 and rakes him in an estimated \$334,000 a year. Every time American Pie is aired, McLean earns a hefty 15¢ royalty.

Royalties are an incredible wealth-building tool. Unfortunately, few of us will ever write a hit song in our lifetimes. However, there is another way to earn regular passive income like McLean—by buying royalty companies.

Royalty companies come in all shapes and sizes. They own the rights to everything from mines and oil wells to songs and pictures. Every time an oil producer pulls a barrel of crude out of the ground, or a business uses a registered trademark, a royalty company receives a fee.

The best part is that many of these firms are publicly traded. And because they pass on most of their income to shareholders, these stocks often sport some of the highest yields around. Here are three of my favourites to get you started.

1. **A&W Revenue Royalties Income Fund**

When A&W opened its doors in 1956, it was Canada’s first chain restaurant. Today, A&W is the second-largest fast food company in the country.

Almost all of these restaurants are owned by franchisees—regular, hardworking business people. In exchange for using such a famous brand name, franchisees pay a fee to the **A&W Revenue Royalties Income Fund** ([TSX:AW-UN](https://www.scribd.com/document/444444444/TSX-AW-UN)). The trust collects 3% of all sales at the chain’s restaurants in Canada, which are passed right on to investors.

Today, the fund is attractively priced with a yield over 5%. And unless people develop a sudden preference for broccoli, this trust should keep delivering distributions for years to come.

2. **PrairieSky Royalty Ltd.**

Oil well royalties might be the greatest income source ever.

Thanks to the shale boom we're seeing across the continent, thousands of landowners in places like Texas and North Dakota are striking it rich. However, unless you happened to own acreage in these areas, few people could get in on the bonanza...until now.

PrairieSky Royalty Ltd. ([TSX:PSK](#)) makes you a partner with an established landowner. The company holds 5.2 million acres across Alberta that are leased out to oil drillers. In return, PrairieSky gets a cut of the profits on any oil and gas extracted.

It gets better. Because PrairieSky pays no mineral royalties to the government, the stock is absolutely gushing dividends. Today, the firm pays out a monthly distribution of 10.6¢ per share, which comes out to an annual yield of 4.5%.

3. **Silver Wheaton Corp**

Perhaps the best way to invest in the mining industry isn't to buy miners at all. Rather, it has been far more profitable to buy companies that finance new mining projects.

Silver Wheaton Corp (TSX:SLW)(NYSE:SLW) is like the banker of the mining industry. Rather than operate projects itself, the company fronts miners with the cash they need to fund new developments. In exchange, Silver Wheaton receives the right to buy a percentage of the mine's production at a steep discount.

This has proven to be a smart business model. The company is gushing cash flow, which can be either paid out to shareholders or reinvested back into more projects. And because its costs are fixed, Silver Wheaton isn't on the hook for any cost overruns that typically plague most miners.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:PSK (PrairieSky Royalty Ltd.)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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