Need Income? Then Check out These 5 Stocks Yielding at Least 7%

Description

Although many investors have gotten spurned in the past by stretching for yield, I still think there's a place for high yield in a portfolio.

Think of it this way: if you dedicate just 10% of your portfolio that normally yields 3% to names that yield 7%, you'll up your total income to 3.4%. That doesn't seem like much on the surface, but that's a difference of $4,000 annually on a portfolio worth $1 million.

There are plenty of stocks in Canada that give generous yields that have paid consistently for years now. And there are other stocks that have made recent changes that look to solidify generous payouts. Let's take a look at a few examples of each, with the focus on sustainable and high dividends.

TransAlta

TransAlta Corporation (TSX:TA)(NYSE:TAC) is a struggling Alberta-based owner and operator of power plants. Most of the reason behind the company's struggles is its reliance on coal-fired plants, a business that investors are rapidly falling out of love with.

But underneath the surface, there's some real value here. A conservative value of the fixed assets is approximately $15 per share, or 50% more than the current share price. Operational improvements have also been made after costly repairs forced the company to cut its dividend back in 2014, and debt is being paid off by selling assets to the company's publicly traded subsidiary, **TransAlta Renewables**.

These steps have created a 7.7% dividend that looks to be sustainable. The projected payout ratio in 2015 is approximately 70% of free cash flow, which is about as solid as you're going to find for a 7% yield.

Dream Office

Dream Office REIT (TSX:D.UN) is one of Canada's largest owners of office space, with more than 24 million square feet of space spread out between 176 properties.

Shares have taken a beating lately because of potential weakness in the office market in both Calgary and Toronto—two of Dream's largest markets—and because investors are punishing anything interest rate related. But Dream is in good shape to weather a downturn, with a payout ratio of approximately 90% and the potential to renew many tenants at higher rates.

Shares of Dream currently yield 9.2%, a dividend I think is sustainable.

Crescent Point

Although most oil producers were forced to cut their generous payouts, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) has bucked the trend by keeping its $0.23 per share monthly dividend intact. That's good enough for a 10.9% yield.

Management was smart enough to hedge approximately 50% of 2015's production at a price of more than $90 per barrel. Hedges even extend into 2016, with about a third of production locked in at higher prices.

This has created an interesting situation. The company should be able to sustain the dividend easily in 2015, but needs the price of crude to recover for it to be sustainable much longer. Still, even at $65 or $70 for crude, the company could probably maintain the payout.

First National

First National Financial Corp (TSX:FN) is one of Canada's largest non-bank mortgage lenders doing business exclusively with mortgage brokers. This leads to a business that has very little in fixed costs, since there's very little office space needed.

Real estate bears point at the risk that's inherent with a mortgage lender during a huge boom in houses. But First National insures virtually all of its loans, meaning it's not on the hook for anything if the borrower defaults. Yes, a slowdown in new loans is bad, but shouldn't be disastrous.

Shares currently trade at a 52-week low and yields 7.7%. Based on earnings, that yield appears to be sustainable.

Crombie REIT

Crombie Real Estate Investment Trust (TSX:CRR.UN) owns more than 14 million square feet of property, spread out over 255 different locations. The vast majority of these locations are either Sobeys or Safeway grocery stores.

Although the lack of tenant diversification might make some investors pause, grocery stores tend to be a pretty stable business without a whole lot of turnover. And thanks to weakness in all rate-sensitive stocks of late, Crombie now yields slightly more than 7%. The payout ratio is approximately 95%, but keep in mind just how steady the grocery business is. The underlying earnings likely aren't going anywhere.

CATEGORY

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TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. NYSE:VRN (Veren)
3. TSX:D.UN (Dream Office Real Estate Investment Trust)
4. TSX:FN (First National Financial Corporation)
5. TSX:RNW (TransAlta Renewables)
6. TSX:TA (TransAlta Corporation)
7. TSX:VRN (Veren Inc.)

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