Like Yield? Check out These 4 Stocks That Pay 6%+ Dividends

Description

When the Bank of Canada cut interest rates again earlier this week, I swear I could hear the collective weary sigh of many retirees and other folks who invest primarily for income.

Already dismal GIC and government bond yields are primed to become worse, especially as it becomes more obvious that Canada is either in a recession, or about to plunge into one. Professional traders who are flooding into bonds are more concerned with the capital preservation than the income. So, they'll bid up levels as long as they feel nervous about the market.

This leaves income investors in a tough spot, especially if they believe that many of Canada's blue chips are overvalued. Where can one get income that's still relatively protected?

It isn't all bad news though. There are a certain number of stocks that will not only provide some capital preservation, but also pay investors generous yields. Here are four companies that give annual dividends of at least 6%.

Cominar REIT

Cominar Real Estate Investment Trust (TSX:CUF.UN) is Quebec's largest landlord with nearly 46 million square feet worth of office, retail, and industrial property. It also has holdings in Atlantic Canada, Ontario, and Alberta.

Although many investors would immediately look at a company yielding 8.1% and deem it too risky, there's a lot to like about Cominar. Two of its largest shareholders are the founding family, and Caisse de dépôt, Quebec's pension giant. Additionally, the company trades at approximately 10 times its adjusted funds from operations, which is a discount of between 30-40% compared with peers.

Plus, the dividend looks to be pretty sustainable. In 2014 the company generated $1.89 in funds from operations per share, while paying out $1.47 in dividends. That's a payout ratio of just 78%, which is quite low for a stock paying such a high dividend.

Boston Pizza

Boston Pizza Royalties Income Fund (TSX:BPF.UN) has come a long way since opening in 1965 with a single location in Edmonton.

The company has become Canada's largest fast-casual dining chain, amassing 366 locations that collectively did more than $1 billion in revenue in 2014 through franchised locations. That's a lot of chicken wings and pizza.

Each franchisee pays 7% of revenue back to the parent company as royalties. There's very little in expenses, which leaves plenty of consistent earnings for shareholders.

Plus, the company has a history of dividend growth. Since 2011 it has upped distributions four times from 8.4 cents per share monthly to 10.83 cents. Currently, shares yield 6.2%.

Corus

Corus Entertainment Inc. (TSX:CJR.B) is the owner of many Canadian specialty television channels, as well as 40 radio stations and a children's media content company called Nelvana. Shares have gotten hammered lately as the double whammy of impending unbundling of cable channels and weak advertising spending have sent investors to the exits.

But the company is solidly profitable and generates enough free cash flow that the 8.1% dividend is easily covered. Shares are bargain priced too, trading at just over 10 times normalized earnings. Results are bound to get better when Canada's economy recovers, rewarding patient investors with both a generous yield and the potential for nice capital gains.

TransAlta

Although **TransAlta Corporation** (TSX:TA)(NYSE:TAC) isn't a terribly popular stock right now, it has a great deal of recovery potential.

The company is suffering from a few negative issues. Coal-fired power isn't a popular sector right now, and Alberta isn't a great province to be operating in, especially after the more environmentally-conscious NDP government got elected. It also suffered from some operational issues that forced it to cut the dividend once before in early 2014.

But it's not all bad news. Increased power prices should be coming in 2018, when it negotiates new agreements with Alberta regulators. Results from its U.S.-based operations are getting a nice boost from the weakness in the loonie. And the company signed an agreement to outsource much of its maintenance, meaning it won't get any big surprise repair bills going forward.

The new dividend is 7.4%, which appears to be covered by existing free cash flow. The company has also taken steps to clean up its balance sheet, which should help with the sustainability of the payout going forward.

CATEGORY

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TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:CJR.B (Corus Entertainment Inc.)
4. TSX:TA (TransAlta Corporation)

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