



2 Stocks With Yields Above 8%

Description

In a time of historically low interest rates, it's difficult for income investors to get attractive yields on either stocks or bonds. With a bit of digging however, there are still a limited amount of high-yield stocks that have enough earnings to support continued dividend payments.

Specifically, **First National Financial Corp** ([TSX:FN](#)) and **TransAlta Corporation** ([TSX:TA](#)) ([NYSE:TAC](#)) both have dividend yields in excess of 8% a year. Here's a look at each of those high-income generators.

First National Financial Corp.

With a large mortgage portfolio that generates continual cash flows and a business model designed to efficiently deploy investor capital, the company has been able to consistently pay out large dividend streams to shareholders.

Over the past five years, First National Financial hasn't missed a dividend payment once. The company has also managed to raise its already high payments by 20% since 2011. This has helped keep the average yield above 7% over the past few years. After hitting a 52-week low recently, the yield is up to 8.3%. Management anticipates continuing to distribute a significant portion of earnings as dividends.

This year management expects to generate healthy cash flow from its \$23 billion portfolio of securitized mortgages as well as its massive \$64 billion mortgage servicing portfolio. Meanwhile, new mortgage demand in Canada (a major driver of growth) continues to be strong.

While no lender can fully mitigate any macro-economic impacts, First National Financial has positioned itself to reduce risk in its portfolio. The company has one of the most diverse sets of funding sources in the industry and no one revenue source constitutes a majority of sales.

TransAlta Corporation

TransAlta is Canada's largest non-regulated electric generation company. It has about \$10 billion in assets and 10,000-megawatts of capacity in operation or in construction. It has transformed over the past hundred years from an insignificant local power company into one of the most well-respected

names in the energy generation world.

Its rapidly evolving portfolio of resources make use of various forms of energy which are required for the upkeep of a solid supply of electricity. These sources include wind, geothermal heat, coal, natural gas, hydro and biomass, which are being produced simultaneously through more than 70 power plants in America and Canada.

On July 21, the company reaffirmed its \$0.18 quarterly dividend rate. This results in a roughly 8% dividend yield. While the company's strong cash flows should continue to support the dividend (2014 operating cash flow of \$670 million), future earnings projections are fairly low. For 2015, the company is only expected to earn \$0.25 a share, much lower than the \$0.72 annualized dividend.

While the company should be able to improve earnings over the long-term, flagging profitability makes the dividend less reliable than First National Financial's.

First National Financial Corp takes the cake

With a higher yield and ample cash flows to support the dividend, First National Financial Corp looks like the better choice. While it will still be reliant on a strong Canadian housing market, the company has had no issue sustaining and raising its payout to investors for almost five years.

With an 8.3% yield, there are few better options for income seekers than First National Financial Corp.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:FN (First National Financial Corporation)
3. TSX:TA (TransAlta Corporation)

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