

Instant 5%-Yield Portfolio of 5 Quality Stocks

Description

Market dips are excellent opportunities to buy more shares at a lower price and higher yield. You can buy more shares with the same amount of money as before, but you'll get a higher income for it.

If you buy the same amount of dollars in these five quality stocks today, the average yield of this portfolio would be 5.06%. Each company has a tendency to increase dividends, so your portfolio income is poised to grow at least 5% a year going forward.

Retail REIT yielding 5.6%

Smart REIT (TSX:SRU.UN), originally Calloway REIT, is a quality retail real estate investment trust. It has total assets of \$8.3 billion with weighted average lease terms of seven years, 31 million square feet of gross leasable area, 149 properties, and occupancy level around 99%.

Wal-Mart Stores, Inc. is its biggest tenant, contributing close to 27% of its gross rental revenue. Its other significant tenants include **Canadian Tire Corporation Limited**, Winners, and **Loblaw Companies Limited**. Compared with Wal-Mart, they contribute much less, only 2-5% of gross rental revenue.

Smart REIT pays a monthly distribution of \$0.1334 per unit equating to a yield of 5.6% around the price of \$28.6 per unit. From 2002 to the present, it has hiked its distribution occasionally and has never cut it. It most recently hiked it by 3.4% in January.

Big bank yielding 4.7%

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's most international bank and a leading financial services provider in North America, Latin America, the Caribbean and Central America, and parts of Asia. It serves 21 million customers around the world.

At under \$58 per share, Bank of Nova Scotia yields 4.7%. It's likely to raise its dividend again when it releases earnings results on Friday.

Big telecom yielding 4%

Telus Corporation (TSX:T)(NYSE:TU) is one of the biggest telecoms. Telus has the highest customer-retention rate for mobile customers as well as having the highest earnings growth among the big three telecoms. Telus yields 4% around \$42, and it should continue increasing the dividend as it has been doing for the past 11 years.

Big pipeline yielding 4.8%

TransCanada Corporation (TSX:TRP)(NYSE:TRP) transports and stores oil and gas, so the commodity price fluctuations don't affect it as much. It yields 4.8% around \$43 and is likely to continue hiking its dividend as it has for 14 years in a row. It last raised it by 8.3% in March.

Utilities yielding 5.3% and 6.1%

Brookfield Infrastructure Partners L.P. (TSX:BIP.UN)(NYSE:BIP) owns and operates high-quality, long-life assets that generate stable cash flows and have barriers to entry. These assets include electricity transmission lines, energy transmission and storage, toll roads, and ports.

Its assets are diversified across Australia, North and South America, Brazil, and Europe. It pays out quarterly distributions of US\$0.53 per unit, which equates to a yield of over 4.1% if the foreign exchange were at parity. Currently, it's fair to use a US\$1 to CAD\$1.30 ratio. That equates to a yield of 5.3%.

Brookfield Renewable Energy Partners L.P. (TSX:BEP.UN)(NYSE:BEP) gives you exposure to renewable energy such as hydropower and wind power generation. It has been accumulating these valuable assets for 20 years.

It pays out quarterly distributions of US\$0.415 per unit, which equates to a yield of about 4.7% if the foreign exchange were at parity. That equates to a yield of 6.1%.

Tax on income

Only Bank of Nova Scotia and TransCanada pay eligible Canadian dividends, so their dividends are favourably taxed in a non-registered or taxable account. If you have room in a tax-free savings account (TFSA), you can get them fully tax-sheltered.

However, you probably want to leave TFSA room for Smart REIT, Brookfield Infrastructure, and Brookfield Renewable because they pay out distributions that aren't favourably taxed in a non-registered account. Of course, you can also hold them in a registered retirement savings plan, the tax-deferred vehicle.

In conclusion

This is a diversified portfolio of stocks that generate growing income from retail properties, pipelines, utilities, infrastructures, and banks. You can start off with a 5% yield today.

Assuming you invested \$5,000, you'd receive \$250 a year. If you invested \$10,000 (\$2,000 in each), you'd receive \$500 a year. If you invested \$20,000 (\$4,000 in each), you'd receive \$1,000 a year.

Further, you can expect that income to grow 5% a year from dividend hikes, and that's a conservative forecast.

CATEGORY

- 1. Dividend Stocks
- 2. Investing

TICKERS GLOBAL

- 1. NYSE:BEP (Brookfield Renewable Partners L.P.)
- 2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
- 3. NYSE:BNS (The Bank of Nova Scotia)
- 4. NYSE:TRP (Tc Energy)
- 5. NYSE:TU (TELUS)
- 6. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
- 7. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
- 8. TSX:BNS (Bank Of Nova Scotia)
- 9. TSX:T (TELUS)
- 10. TSX:TRP (TC Energy Corporation)

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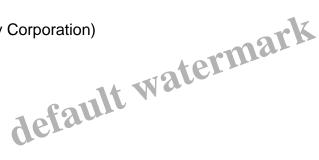
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Author

kayng



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