Retirees: Yes, You Can Count On These 4 Stocks Delivering 6%+ Dividends

Description

These days, with yields of GICs and high-quality bonds barely cracking crooked numbers, retirees are increasingly turning to the stock market in an attempt to generate enough income to fund their lifestyle.

The issue is when retirees start to look at stocks that yield 5%, 6%, or even higher. Usually, whenever a stock trades with such an attractive dividend yield, it's because the market is concerned the payout isn't sustainable. In other words, think of a high dividend as a warning sign.

But the market doesn't always know best. Sometimes stocks get temporarily beaten down because of short-term issues, which pushes the yield much higher. Stocks tend to overshoot in the short term, which creates buying opportunities for long-term investors.

Such an opportunity exists in these four dividend payers, all of which pay sustainable yields of at least 6%. Adding these companies to your portfolio can really supercharge your retirement income.

Aimia

Aimia Inc. (TSX:AIM) is in the customer-loyalty management business, running customer rewards programs for many different companies around the world. It is best known for running the Aeroplan program for **Air Canada**.

The Aeroplan program continues to be popular with consumers. Gross billings from Aeroplan-branded credit cards have increased by 1.2% compared with the same period last year and have increased by 4.2% since 2013. Customers are also saying they're more satisfied with the program.

This had led to better earnings. After one-time items and capital expenditures, it expects to deliver between $220 and $240 million in free cash flow in 2015, which works out to be between $1.36 and $1.49 per share. At a current price of $12.31 per share, the stock trades at just 8.6 times the midpoint of the expected free cash flow. That's a very attractive valuation.

It also means the generous 6.2% dividend is easily supported by earnings. And if earnings do happen to falter, the company is sitting on more than $3 per share in cash.

Crombie

Crombie Real Estate Investment Trust (TSX:CRR.UN) is the owner of 255 properties, with more than 17 million square feet of gross leasable area. The vast majority of its holdings are occupied by either Sobeys or Safeway stores.

Some investors get nervous about REITs with one primary tenant, but grocery stores are very stable tenants. This generates very steady cash flows and, most importantly for income investors, dependable dividends.

Crombie has paid a distribution of $0.89 per share since 2007 without a hitch, which represents a current yield of 6.7%. With a payout ratio based on funds from operations of just 79%, the dividend looks to be safe for the foreseeable future.

Boston Pizza

Boston Pizza Royalties Income Fund (TSX:BPF.UN) has grown to become Canada's biggest fast, casual dining chain, with some 360 restaurants located from coast to coast.

The company has come under pressure lately as nervous investors think a poor economy in Alberta will lead to lacklustre results. Thus far this year results have been fine, with same-store sales even creeping up by 1.1%.

The sell-off has pushed up the yield, which is now 7.1%. The payout ratio has been 97% for the last year, which can safely remain that high because the fund has virtually zero expenses.

Rogers Sugar

Because we're all at least trying to eat healthier, the sugar business is no longer a growth industry.

This isn't so bad for the incumbents. **Rogers Sugar Inc.** (TSX:RSI) and Redpath virtually control the Canadian market, a duopoly helped by high tariffs imposed on imported sugar. I like investing in companies that aren't about to get undercut by foreign competitors.

Revenue has been slowly decreasing over the last few years, but that's because of sugar prices going down. The volume of shipments has stayed pretty steady, as have earnings.

Rogers pays out virtually all of its profits out to shareholders. Shares currently yield 8.6%, with a payout that has stayed steady since the company converted from an income trust in 2011. It also periodically pays out special dividends, most recently in 2013 when it gave investors $0.36 per share.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:RSI (Rogers Sugar Inc.)

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