Retirees: 2 Monthly Dividend Stocks With Strong Upside Potential

Description

Retirees are turning to dividend stocks to help supplement their pension incomes.

This wasn't always necessary, but low interest rates have made GICs and savings accounts pretty much useless for people who need to squeeze some decent yield out of their savings.

Fortunately, the market offers a variety of reliable dividend stocks and many pay their shareholders on a monthly basis.

Here are the reasons why I think income investors who are looking for good yield and some upside potential should consider **Inter Pipeline Ltd.** (TSX:IPL) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR).

Inter Pipeline

The oil rout has sparked an exodus out of the entire energy sector, but the sell-off looks overdone at Inter Pipeline.

The company reported record Q4 2015 funds from operations of $211 million, up 32% from the same period in 2014. Net income jumped to a record $138 million.

Inter Pipeline transports about 15% of western Canadian conventional oil output and 35% of oil sands production. The company also has a natural gas extraction division and a growing liquids storage business in Europe.

Why are the results so strong?

Inter Pipeline completed two major oil sands pipeline projects last year that are driving revenues higher. Oil sands companies are cutting back on expansion projects, but most of the existing operations are running at full tilt, and that trend should continue even if oil remains under pressure.

Inter Pipeline's natural gas extraction unit is struggling a bit, but the conventional oil operations are holding up well, and the liquids storage business reported a 79% year-over-year gain in Q4 funds from operations as utilization rates jumped from 84% to 97%.

Inter Pipeline recently increased its monthly dividend by more than 6% to 13 cents per share. That’s good for a yield of 6.2%.

The stock has rebounded nicely off the lows, but more upside should be on the way when oil prices finally recover.

Shaw

Shaw is in the middle of a massive transition. The company is purchasing Wind Mobile in a move that will enable it to compete on a level playing field with archrival **Telus** in western Canada.

Shaw has struggled with customer losses on the cable side and is trying to attract new Internet subscribers. The addition of the mobile business will enable the company to offer complete telecom and media packages, and that should result in better overall subscriber numbers.

To help pay for the Wind Mobile deal, Shaw is selling its Shaw Media group to **Corus Entertainment**. The deal is timely in that it removes the content risk from Shaw’s operations just as Canada moves to a pick-and-pay system for TV subscriptions.

Shaw has a lot on its plate right now, and the stock has sold off as investors wait to see how things will pan out. Once all of the smoke clears, I think the shares will rebound to their previous level.

In the meantime, investors can pick up a reliable monthly payout that yields a solid 4.75%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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aswalker