Retirees: Give Yourself a Raise With These +6% Yielders

Description

Many retirees who are frustrated with low yields from ultra-safe investments such as government bonds or GICs have turned to the stock market to get the income they need to survive.

There's just one problem. Dividends tend to be pretty secure, but there are many examples of companies that cut payouts because business has taken a hit. That's bad news for somebody relying on those yields to eat.

Additionally, investors have been told over and over again that high dividends are risky. The magic number seems to be 5%; anything in excess of that is deemed too risky for the average retiree.

Nothing could be further from the truth. Sure, in aggregate, stocks yielding 6% have more risky dividends than those yielding 3%. That much is obvious. But it doesn't mean every 6% dividend is at risk.

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Adding a few 6% yielders to a portfolio currently paying 3% annually can be an easy way for retirees to give themselves a raise. Here are three current choices that look attractive.

Artis REIT

Artis Real Estate Investment Trust (TSX:AX.UN) is a medium-sized REIT headquartered in Winnipeg, Manitoba. It owns a total of 249 properties and 25.7 million square feet in gross leasable area that's spread out over industrial, office, and retail properties. Approximately one-third of its portfolio is located in the United States.

Shares of Artis haven't performed that well over the last 52 weeks, falling almost 15% on fears that weakness in Calgary's office market will weigh on the bottom line. Approximately 30% of the company's portfolio is located in Alberta.

But analysts don't share those fears. They collectively expect the company to generate $1.32 per share in adjusted funds from operations in 2016–a key measure of REIT profitability. This translates into a payout ratio of 82%, which indicates the 8.5% dividend is indeed pretty safe.

Pizza Pizza

If, as the old adage goes, a recently raised dividend is safest of all, then **Pizza Pizza Royalty Corp.** (TSX:PZA) and its 6.1% dividend must be pretty darn safe. After all, the company just hiked its dividend in October, the latest of three dividend increases since the beginning of 2014.

Recent results from the company have been strong. Same-store sales were up 4.5% in 2015 with total revenue increasing 5.6%. The number of total locations grew to 730. And economic weakness in Alberta didn't affect the company's Pizza 73 subsidiary as much as investors expected.

One further thing that adds to the safety is the company's reserve fund, which is currently at approximately $5 million. This fund ensures that if sales from the royalty pool are a little softer than expected, the dividend will still be secure.

Inter Pipeline

Inter Pipeline Ltd. (TSX:IPL) is the most interesting pipeline company in Canada for a couple of reasons.

I really like the company's assets. Most of its operations are in Alberta, which means management only has one government to appease. Pipelines that stretch across provincial lines are far more difficult to get approved as rivals are finding out.

Another thing I like about Inter is the expansion potential. The company just finished two major pipeline expansions coming from the oil sands, which are only running at about half capacity. When production from the region increases, the company can add to current capacity at a very small cost, increasing earnings in the process.

And finally, it pays an attractive dividend of 6.1%, which is approximately 50% higher than the payout offered by other prominent Canadian pipelines. It's a safe dividend, too. It has a payout ratio of approximately 70% of funds from operations.

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1. Editor's Choice

TICKERS GLOBAL

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2. TSX:PZA (Pizza Pizza Royalty Corp.)

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nelsonpsmith

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