Dividend Investors: 3 Massive Yields You Can Count On

Description

Although it’s been repeated countless times, it still needs to be said again. Investors who insist on dividends of more than 5% are taking on more risk than those who live in the 2-4% range.

This doesn’t mean that there isn’t value in the high-yield market, because there are some terrific stocks there that trade at cheap valuations with decent long-term prospects. Some of these stocks pay huge dividends that are actually supported by earnings. It’s sometimes difficult to find them among the duds, but they certainly exist.

Here are three high-yield stocks I believe have sustainable dividends over the long term.

H&R REIT

H&R Real Estate Investment Trust (TSX:HR.UN) is suffering from the same issue as many of its peers. It has significant exposure to the Albertan market at a bad time for that province’s economy.

Even through these headwinds, the company is performing fine. The company owns more than 44 million square feet of leasable area over more than 300 buildings as well as a 33% stake in Echo Realty, which owns 205 properties in the United States. It has enough exposure outside Alberta to weather this storm, no matter how bad it gets.

For 2015, H&R delivered $1.95 in funds from operations per share, which puts the company’s shares at approximately 11 times trailing earnings. That’s a very reasonable valuation in today’s market. Shares pay a dividend of $0.1125 each per month, which works out to an annual payout of $1.35 and a yield of 6.2%. It also represents a payout ratio of under 70%, which is one of the lowest in Canada’s whole REIT sector.

In short, H&R’s dividend is rock solid.

Directcash

If you’re excited about H&R’s 6.2% dividend, you’ll probably be pretty ecstatic about **Directcash Payments Inc.**

(TSX:DCI) and its 11.4% yield. No, that's not a typo.

Directcash is in the private-label ATM business. It provides ATMs to places like bars, convenience stores, and stadiums in exchange for a cut of the fees generated by users as they take cash out. The company is the largest of its kind in Australia and the second-largest in Canada.

Many investors are scared mobile payments will render the ATM obsolete, but thus far nothing could be further from the truth. Directcash has reported that transactions are actually going up, and the company continues to gain traction in its newest venture, which is processing debit and credit card payments.

In 2015, Directcash generated funds from operations of $2.66 per share while paying dividends of $1.44 per share. That's a payout ratio of just 54%, which is about as low as you'll find for a stock paying out an 11.4% dividend.

Inter Pipeline

Inter Pipeline Ltd. (TSX:IPL) looks to be a pretty good company to own over the long term.

The company is positioned well in the oil sands region, quietly becoming the pipeline of choice for many producers. This focus on Alberta is a much better operating strategy compared to some of its peers, who must get big, new projects approved by multiple provinces. That takes a lot of time and energy, never mind the money invested into public relations.

The company also has very easy expansion potential. Its three major oil sands pipelines are only operating at about 50% of installed capacity. Once new projects come online in the region, improved earnings should come quickly after.

Inter Pipeline pays a dividend of 6.2%. This dividend appears to be quite safe, with the payout only coming in at about 70% of funds from operations. Additionally, it has raised dividends 13 consecutive years in a row, a streak management probably doesn't want to break.

CATEGORY

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TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

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