



Retirees: Give Yourself a Raise With These 3 Huge Yields

Description

In an era where GICs and government bonds barely earn 2% annually, retirees everywhere are looking for investments that pay a little extra.

There are a few options. Dividend-growth stocks might not pay much now, but they offer the potential for much greater yields in the future. Covered calls are another strategy popular with income investors, but that requires a bit more portfolio management than some might be comfortable with.

That leaves high-yield stocks. We've all heard the warnings about stretching for yield, especially from investors recently spurned. These investors have a point; there are many different stocks with nice dividends I wouldn't touch with a 10-foot pole.

But there are also many different stocks that do offer payouts that sure seem to be sustainable. Yes, these dividends aren't 100% guaranteed, but they are backed up by solid balance sheets, sustainable business models, and most importantly, oodles of free cash flow.

These are the stocks retirees should be checking out. Here are three to get you started.

Artis

Artis Real Estate Investment Trust ([TSX:AX.UN](#)) is one of western Canada's largest landowners with more than 25 million square feet of gross leasable area spread among 249 office, retail, and industrial buildings. The trust also has significant holdings in Ontario as well as in three U.S. states.

Shares of Artis haven't performed terribly well lately, falling more than 15% over the last two years. The main reason for this weakness is the company's exposure to Alberta, a market that accounts for about a third of its net operating income. Operations in the province are recovering, but investors are still concerned about a potential glut in office space in Calgary.

Still, such concerns haven't hit the bottom line. In its most recent quarter, Artis generated \$0.38 per share in funds from operations, while paying out \$0.27 per share. That's a payout ratio of just 71%, which is fantastic for a stock that yields 8%.

There are other reasons for owning Artis, too. The company has a reasonable balance sheet, trades at a cheap price-to-earnings ratio, and shares trade comfortably under the company's book value.

TransAlta Renewables

Investors looking for exposure to renewable energy and high yields don't have to look any further than **TransAlta Renewables Inc.** ([TSX:RNW](#)).

The company has an impressive portfolio of hydro, solar, and wind-powered assets across North America as well as a recently acquired natural gas pipeline and power plant project in Australia that should be completed sometime in 2017. This project is expected to add significantly to the company's bottom line.

In its most recent quarter, the company reported that it earned \$82 million in cash available for distribution, while paying out \$46 million. A payout ratio of 56% is pretty solid for a company currently yielding 6.9%.

The rest of 2016 looks to be pretty solid for the dividend too, with adjusted funds from operations projected to come in at a range of \$245 million and \$270 million, while dividends are expected to be \$184 million. There's nothing wrong with that payout ratio.

Aimia

Aimia ([TSX:AIM](#)) is one of Canada's leading loyalty analytics companies, which is just fancy corporate-speak for saying it runs rewards programs for various retailers. Aimia is best known for running **Air Canada's** Aeroplan program.

Business isn't great right now because Canadian consumers, who are feeling the pinch of a tight economy, just aren't spending as much as they used to. This has driven shares down to the point where the dividend has surpassed 10%.

The company isn't worried about the dividend, even recently going as far as increasing the quarterly payment from \$0.19 per share to \$0.20. It also has nearly \$400 million worth of cash on the balance sheet, a minimal amount of debt, and management says strength in other programs should help make up for some of the weakness in Aeroplan.

Free cash flow for 2016 is projected to come in between \$190 and \$220 million, while dividends are only expected to be approximately \$130 million. Even after accounting for capital expenditures, that should easily be enough to cover the generous payout.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)
2. TSX:AX.UN (Artis Real Estate Investment Trust)
3. TSX:RNW (TransAlta Renewables)

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