Retirees: Give Yourself a Raise With These +8% Yielders

Description

In a world where GICs yield 1%, 10-year government bonds yield less than 2%, and so-called high-yield stocks yield 4%, it's tough to be a retiree without a huge nest egg.

The obvious solution is to find higher-yielding stocks–securities that exist in abundance. The problem with that strategy is stretching for yield is viewed as more risky than spending a night surrounded by Zika-infested mosquitoes.

According to naysayers, just about every dividend north of 5% is at risk of getting cut. This not only poses a risk to a retiree's income; it also means a permanent reduction in capital as the stock collapses in response to the dividend cut.

Luckily for retirees, the reality isn't so dire. Yes, as a whole, high-yielding stocks are riskier than their lower-yielding counterparts. But that doesn't mean investors can't find good companies with sustainable, high dividends. Adding a few of these into an otherwise conventional portfolio can deliver a nice increase in income without much additional risk.

Here are three stocks yielding at least 8% that I think are rock solid.

Artis

Artis Real Estate Investment Trust (TSX:AX.UN) is a diversified real estate company owning office, retail, and industrial space across Canada's western provinces, Ontario, and in three U.S. states. Altogether the company owns more than 27 million square feet in space spread out over 252 different properties.

Artis shares are cheap from a number of different perspectives. Book value is $18 per share, while shares currently trade hands at just over $13. That's a discount of nearly 40%. Analysts expect the company to earn $1.30 in adjusted funds from operations in 2016, putting shares at just 10 times that important earnings metric. It's not often investors find a company trading at such a low P/E ratio that also trades under book value.

Artis pays out a $0.09 per share monthly dividend, which works out to an 8.3% yield. With a projected payout ratio of just 83% for 2016, the dividend sure looks like it's pretty secure.

Aimia

Aimia Inc. (TSX:AIM) is a marketing company that operates loyalty plans for various businesses. The company is best known for running the Aeroplan loyalty program for **Air Canada**.

Shares have dropped because of tepid Canadian consumer spending numbers. Management has responded by buying back more than 10% of the company's total outstanding shares in the last year alone, dropping the share count from 170.8 million to 152.7 million. Despite spending some $250 million buying back shares, the company still has nearly $400 million in cash on the balance sheet.

This bodes well for the company's 8.8% dividend. Management also gave the payout a vote of support lately by increasing it from $0.19 per share quarterly to $0.20. And finally, management stuck with their guidance that the company would generate between $1.24 and $1.44 per share in free cash flow for 2016, easily enough to cover a $0.80 per share dividend.

Diversified Royalty

The royalty business is an attractive one. In exchange for capital up front, businesses will give a royalty company a gross return of anywhere from 12% to 15%. Even after expenses and taxes, that leaves plenty of profits left over for generous profits for shareholders.

Diversified Royalty Corp. (TSX:DIV) is a smaller company with only three royalty partners. Partners include Mr. Lube, Sutton Real Estate, and the parent company of restaurant brands Original Joes, Elephant & Castle, and State & Main. Together, these three income streams are expected to generate approximately $0.22 per share in distributable income in 2016, enough to cover the $0.018 per share monthly dividend.

As Diversified Royalty acquires more royalty deals, the amount of cash available to distribute will go up. Expenses will stay pretty consistent while revenue goes up. That's the beauty of this business; the company can continue to grow as long as it can find more royalty deals.

That's good news for the company's 9.7% dividend. In fact, investors shouldn't be surprised if the company increases the payout when it announces its next big royalty deal.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:AX.UN (Artis Real Estate Investment Trust)

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nelsonpsmith