Forget GICs and Savings Accounts: Buy These 2 Income Stocks Instead

Description

Many investors are turning to monthly dividend stocks to supplement their income, because savings accounts and Guaranteed Investment Certificates (GICs) simply do not offer yields anywhere close to what can be earned in the stock market. With this in mind, let's take a closer look at two high-quality stocks with yields up to 5.8% that you could buy right now.

1. Canadian REIT

Canadian REIT (TSX:REF.UN) is one of Canada's largest diversified REITs. It has ownership interests in 197 industrial, retail, office, and development properties, comprising of approximately 32.8 million square feet located across the country.

It currently pays a monthly distribution of $0.1525 per share, or $1.83 per share on an annualized basis, which gives its stock a high yield of about 3.7% at today's levels. This yield is also very safe when you consider that its adjusted funds from operations (AFFO) totaled $1.35 per share and its cash distributions totaled just $0.905 per share in the first half of 2016, resulting in a very conservative 67% payout ratio.

Investors must also make the following two notes about Canadian REIT's distribution.

First, it has raised its annual distribution for 14 consecutive years, the longest active streak for a REIT in Canada, and its 1.7% hike in May has it on pace for 2016 to mark the 15th consecutive year with an increase.

Second, I think its consistent AFFO growth, including its 3.9% year-over-year increase to $1.35 per share in the first half, and its very conservative payout ratio, including the aforementioned 67% in the first half, could allow its streak of annual distribution increases to continue for the foreseeable future.

2. Enbridge Income Fund Holdings Inc.

Enbridge Income Fund Holdings Inc. (TSX:ENF) holds a 56.6% ownership stake in Enbridge Income Fund, which is a major owner of energy infrastructure in North America, including oil and natural gas pipelines, oil storage facilities, and green power-generation facilities. Its investment leads to stable and predictable cash flows, much of which is paid out to its shareholders in the form of monthly cash dividends.

It currently pays a monthly dividend of $0.1555 per share, or $1.866 per share on an annualized basis, which gives its stock a very high yield of about 5.8% at today's levels. This yield is also very safe when you consider that its earnings totaled $119 million and its dividend payments totaled just $103 million in the first half of 2016, resulting in a rock-solid 86.6% payout ratio.

Investors must also make the following two notes about Enbridge's dividend.

First, it has raised its annual dividend payment for five consecutive years, and its two hikes since the start of 2015, including its 10% hike in September 2015 and its 10% hike in January of this year, have it on pace for 2016 to mark the sixth consecutive year with an increase.

Second, it has a dividend-growth target of 10% annually through 2019, and I think its very strong earnings growth, including its 91.9% year-over-year increase to $119 million in the first half, and its reduced payout ratio, including 86.6% in the first half compared with 87.1% in the year-ago period, will allow it to achieve this target.

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jsolitro