



Retirees: Supplement Your Income With These +5% Yielders

Description

Many retirees are turning to monthly dividend stocks to supplement their income, because Guaranteed Investment Certificates (GICs) and savings accounts yield next to nothing these days.

Let's take a closer look at why **Veresen Inc.** (TSX:VSN) and **Pure Industrial Real Estate Trust** (TSX:AAR.UN) would be great additions to your income portfolio today.

Veresen Inc.

Veresen Inc. (TSX:VSN) is one of the largest owners and operators of energy infrastructure in North America. Its portfolio includes natural gas pipelines and processing facilities, natural gas liquids extraction plants, gas-fired and renewable power-generation facilities, and energy distribution systems, and these assets are strategically located across Canada and the United States.

The great part about Veresen is that nearly all of its assets involve long-term take-or-pay or fee-for-service contracts, which means it is minimally impacted by the day-to-day fluctuations in commodity prices. This business model also results in stable and predictable cash flows for Veresen, allowing it to pay out nearly all of its distributable cash to its shareholders.

Veresen currently pays a monthly dividend of \$0.0833 per share, representing \$1.00 per share on an annualized basis, giving its stock a very high yield of about 7.7% at today's levels.

Its dividend is entirely supported by the distributable cash generated from its existing take-or-pay and fee-for-service contracts with its customers. In the first half of 2016, Veresen's distributable cash totaled \$94 million (\$0.30 per share), and its dividend payments totaled just \$76 million (\$0.25 per share), resulting in a sound 80.9% payout ratio.

It's also important to note that Veresen has maintained its current annual dividend rate since 2007, and I think its consistent generation of distributable cash, including \$1.06 per share in fiscal 2015 and the \$1.03-1.13 per share it expects to generate in fiscal 2016, and its growing asset base, including its \$1.4 billion of contracted capital projects under construction that will be commissioned through 2018, could allow it to continue to do so for the foreseeable future.

Pure Industrial Real Estate Trust

Pure Industrial Real Estate Trust, or PIRET for short, is one of North America's largest industrial real estate investment trusts (REIT). It owns and manages a portfolio of 167 industrial properties, comprising of approximately 17.85 million square feet located across Canada and the United States.

One of PIRET's top attributes is its blue-chip tenant base. Its tenants include industry giants such as **FedEx**, **TransForce**, ContainerWorld, **Best Buy**, Tervita, and **Hudson's Bay**, and its leases are long term with contractual rent increases, resulting in stable and predictable cash flows.

PIRET pays a monthly distribution of \$0.026 per unit, representing \$0.312 per unit on an annualized basis, and this gives its stock a very high yield of about 5.5% at today's levels.

Confirming the safety of a REIT's yield is also very easy to do; all you need to do is make sure that its funds from operations meet or exceed its distributions, or if it provides its payout ratio, make sure that it does not exceed 100%. In the first half of 2016, PIRET's adjusted funds from operations (AFFO) totaled \$35.37 million (\$0.18 per unit), and its distributions totaled just \$30.28 million (\$0.16 per unit), resulting in a rock-solid 85.6% payout ratio.

Investors should also note that PIRET has maintained its current annual distribution rate since 2013, and I think its consistent AFFO growth, including its 8% year-over-year increase to \$35.37 million in the first half of 2016, its reduced payout ratio, including 85.6% in the first half of 2016 compared with 89.6% in fiscal 2015, and its very high occupancy rate, including 95.6% as of June 30, could allow it to continue to do so going forward or allow it to announce a slight hike in 2017.

CATEGORY

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jsolitro

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