2 Income Stocks With Yields of 6-8% to Buy Today

Description

Investing in monthly dividend stocks is the only way to generate significant income these days, because bonds, Guaranteed Investment Certificates (GICs), and savings accounts yield next to nothing.

Let's take a closer look at why **Altagas Ltd.** (TSX:ALA) and **NorthWest Health Prop Real Est Inv Trust** (TSX:NWH.UN) should be two of your top income stock picks today.

Altagas Ltd.

Altagas is one of the leading owners and operators of low-risk, long-life clean-energy infrastructure in Canada and the United States. Its portfolio consists of a mix of gas, power, and utilities assets, including natural gas pipelines, processing plants, and storage facilities, wind, hydro, biomass, and natural gas–fired power-generation facilities, and utility assets that store and deliver natural gas.

The highlight of Altagas's business model is that the majority of its assets involve long-term contracts with its customers, including fixed, take-or-pay, cost-of-service, and fee-for-service contracts. This business model minimizes its commodity price exposure and results in stable and predictable cash flows, allowing it to return a significant amount of cash to its shareholders in the form of monthly dividend payments.

Altagas currently pays a monthly dividend of $0.175 per share, representing $2.10 per share on an annualized basis, and this gives its stock a very high yield of about 6.1% at today's levels.

Its yield may seem unsettlingly high at first, but it's actually very safe when you consider that its normalized funds from operations (NFFO) totaled $248 million ($1.66 per share) and its dividend payments totaled just $148 million ($0.99 per share) in the first half of 2016, resulting in a rock-solid 60% payout ratio.

Altagas also has a strong track record of growing its dividend. It has raised its annual dividend payment for five consecutive years, including a compound annual growth rate (CAGR) of about 7% from 2010 to 2015, and its most recent hikes have it on pace for 2016 to mark the sixth consecutive year with an increase.

I think its consistent NFFO growth, including its CAGR of about 11% from 2006 to 2015 and its 7.8% year-over-year increase to $1.66 per share in the first half of 2016, could allow its streak of annual dividend increases to continue for many years into the future, making it both a high-yield and dividend-growth play today.

NorthWest Healthcare Properties Real Estate Investment Trust

NorthWest is a leading international owner and manager of healthcare-related real estate, including medical office buildings, clinics, and hospitals. Its portfolio consists of 138 income-producing properties, comprising of approximately nine million square feet of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia, and New Zealand.

One of NorthWest's key attributes is that its properties are strategically located in major markets with favourable demographics and industry trends, including aging populations and rising healthcare expenditures. This strategy has resulted in very strong demand for its properties by healthcare providers who are willing to sign long-term leases. In fact, as of June 30, its normalized portfolio occupancy stood at a very high 96.2% and its weighted-average lease expiry was approximately 11.1 years.

NorthWest pays a monthly distribution of $0.06667 per unit, representing $0.80 per unit on an annualized basis, which gives its stock a very high yield of about 7.5% at today's levels.

A yield over 7% may cause some investors to cast doubt on its stability, but confirming the safety of a REIT's yield is actually quite easy; all you have to do is make sure that its funds from operations meet or exceed its distributions in a given period. In the first half of 2016, NorthWest's adjusted funds from operations (AFFO) totaled $33 million ($0.44 per unit) and its distributions totaled just $30.6 million ($0.40 per unit), resulting in a sound 92.7% payout ratio.

NorthWest is also very reliable. It has maintained its current annual distribution rate since its initial public offering in March 2010, and I think its ample AFFO generation, including $0.82 per unit in fiscal 2015 and $0.44 per unit in the first half of 2016, could allow it to continue to do so for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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