



Retirees: 2 Income Stocks With Yields of 5-8% to Buy Now

Description

Canadian retirees are turning to monthly dividend stocks to supplement their income, because GICs and savings accounts yield next to nothing these days.

Let's take a closer look at why **Enbridge Income Fund Holdings Inc.** (TSX:ENF) and **Slate Retail REIT** (TSX:SRT.UN) should be two of your top picks for monthly income today.

Enbridge Income Fund Holdings Inc.

Enbridge Income Fund Holdings Inc., or ENF for short, holds a 56.6% ownership stake in Enbridge Income Fund. Enbridge Income Fund is a major owner of high-quality, low-risk energy infrastructure in North America, including oil and natural gas pipelines, oil storage facilities, and green-power-generation facilities, all of which are operated by **Enbridge Inc.**

The highlight of ENF's business model is that 99% of its cash flow is underpinned by long-term commercial agreements with creditworthy counterparties. 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.

ENF currently pays a monthly dividend of \$0.1555 per share, representing \$1.866 per share on an annualized basis, and this gives its stock a very high yield of about 5.75% at today's levels.

As mentioned before, ENF's dividend is supported by its cash flows. In the first half of 2016 its operating cash flow totaled \$110 million, and its dividend payments totaled \$103 million, resulting in a sound 93.6% payout ratio.

On top of having a very high yield, ENF has a track record of dividend growth. It has raised its annual dividend payment for five consecutive years, including a compound annual growth rate of 6.7% from 2011-2015, and its recent hikes have it on pace for 2016 to mark the sixth consecutive year with an increase.

It also has a dividend-growth target of 10% annually through 2019, and I think its very strong

operational performance will allow it to achieve this target and announce a new one at the conclusion of 2019.

Slate Retail REIT

Slate is one of the largest owners and operators of grocery-anchored retail properties in the United States. Its portfolio consists of 68 properties, comprising of approximately 7.9 million square feet located across 20 states.

The great part about grocery-anchored retail properties is that it's a defensive and well-positioned asset class that's protected from e-commerce, which is impacting other retail real estate throughout the U.S. (much of which can be attributed to the growing popularity of **Amazon**). Slate believes that Americans will continue to rely on neighbourhood shopping centres for their daily needs, so it has continued to acquire properties in large markets and have them anchored by high-quality tenants. This has been a very successful strategy thus far.

Slate currently pays a monthly distribution of US\$0.06489 per unit, representing US\$0.77868 per unit on an annualized basis, which gives its stock a very high yield of about 7.2% 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 very easy; all you have to do is make sure that its adjusted funds from operations (AFFO) meet or exceed its distributions in a given period. In the first half of 2016, Slate's AFFO totaled \$17.79 million and its distributions totaled \$13.1 million, resulting in a very conservative 73.6% payout ratio.

Slate has also shown a strong dedication to growing its distribution. It has raised its annual distribution for two consecutive years, and its recent hikes have it on pace for 2016 to mark the third consecutive year with an increase.

I think its strong operational performance, its growing property portfolio, and its conservative payout ratio will allow its streak of annual distribution increases to continue for many years to come, making it one of the best high-yield and distribution-growth plays in the real estate industry.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. TSX:SGR.UN (Slate Retail REIT)

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