Retirees: Supplement Your Income With These 2 Top Stocks

Description

Traditional sources of income, such as GICs, term deposits, and bonds, yield next to nothing these days, so retirees are turning to monthly dividend stocks to supplement their income.

Let's take a closer look at why **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) and **Canadian Apartment Properties REIT** (TSX:CAR.UN) should be two of your top picks for income today.

Pembina Pipeline Corp.

Pembina Pipeline Corp. is one of the leading transportation and midstream service providers to North America's energy industry with assets across Canada and North Dakota, U.S. Its portfolio includes conventional pipelines, oil sands and heavy oil pipelines, natural gas pipelines, natural gas processing plants, fractionators, midstream storage facilities, truck terminals, and rail terminals.

The majority of Pembina's assets are supported by long-term, fee-for-service contracts with its customers, which limits its commodity price exposure and results in stable and predictable cash flow, allowing it to return a significant amount of cash to its shareholders each month.

Pembina currently pays a monthly dividend of $0.16 per share, representing $1.92 per share on an annualized basis, giving its stock a lavish 4.9% yield today.

As smart investors, we know we must always check the safety of a stock's yield before investing, and you can do this with Pembina by checking its cash flow. In the first half of 2016, its adjusted cash flow from operating activities totaled $444 million ($1.16 per share), and its dividend payments totaled just $359 million ($0.94 per share), resulting in a sound 80.9% payout ratio.

In addition to having a high and safe dividend yield, Pembina has a proven track record of growing its dividend. It has raised its annual dividend payment for four consecutive years, and its recent hikes have it on pace for 2016 to mark the fifth consecutive year with an increase.

I think Pembina's strong financial performance, including its 14.1% year-over-year increase in adjusted cash flow from operating activities to $444 million in the first half of 2016, and its growing portfolio, including its addition of $1.5 billion of assets so far in 2016 and its $5 billion in committed projects underway that will be in service by 2018, will allow its streak of annual dividend increases to continue going forward.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT, or CAPREIT for short, is one of Canada's largest residential landlords. Its portfolio consists of ownership interests in 48,514 residential units, comprised of 42,071 apartment and townhome suites and 6,443 land-lease sites in 31 manufactured home communities. Its properties are located in or near major urban centres in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia, and Prince Edward Island.

CAPREIT's portfolio currently has a 98.2% occupancy rate and an average monthly rental rate of $980, which provides it with stable and predictable cash flow, allowing it to pay monthly distributions.

It currently pays a monthly distribution of $0.1042 per unit, representing $1.25 per unit on an annualized basis, which gives its stock an attractive 4.1% yield today.

Confirming the safety of CAPREIT's yield is very easy since it's a REIT; all you have to do is make sure that its normalized funds from operations (NFFO) meet or exceed its distributions. In the first half of 2016, its NFFO totaled $110.75 million ($0.864 per unit), and its distributions totaled just $79.75 million ($0.613 per unit), resulting in a conservative 72% payout ratio, which is in line with its long-term target of 70-80%.

CAPREIT also has a reputation for growing its distribution. It has raised its annual distribution for four consecutive years, and its recent hikes have it on pace for 2016 to mark the fifth consecutive year with an increase.

As mentioned previously, CAPREIT has a long-term annual NFFO payout target of 70-80%, so I think its consistent NFFO growth, including its 16.1% year-over-year increase to $110.75 million in the first half of 2016, and its growing portfolio, including its addition of 1,724 net new residential units so far in 2016, will allow its streak of annual distribution increases to continue for the foreseeable future.

Is one a better buy than the other?

Pembina Pipeline and CAPREIT both have high and safe yields, track records of growing their dividends, and the ability to continue growing their dividends going forward, making them strong buys in my book. With this being said, I do not prefer one over the other, so if I had to choose one, I'd simply flip a coin.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:PPL (Pembina Pipeline Corporation)

Category

1. Dividend Stocks
2. Investing

Date
2025/09/09
Date Created
2016/09/21
Author
jsolitro