2 Stocks With Dividend Yields Above 4% to Buy

Description

If you're in search of a stock with a high and safe dividend yield to add to your portfolio, then you've come to the right place.

Let's take a closer look at why **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **DH Corp.** (TSX:DH) would make great additions to your portfolio today.

Bank of Montreal

Bank of Montreal, or BMO for short, is the fourth-largest bank in Canada as measured by assets. It has been paying dividends since 1829, the longest-running dividend-payout record of any company in Canada, which makes it one of the market's most reliable dividend payers.

BMO currently pays a quarterly dividend of $0.86 per share, representing $3.44 per share on an annualized basis, which gives its stock a bountiful 4.1% yield today.

As we all know, it's very important to confirm the safety of a stock's dividend before investing, and you can do this with BMO by checking its earnings. In the first nine months of fiscal 2016, its adjusted basic earnings totaled $5.44 per share, and its dividend payments totaled just $2.54 per share, resulting in a 46.7% payout ratio, which is within its target range of 40-50%.

In addition to being known as one of the most reliable dividend payers, BMO has a reputation for growing its dividend. It has raised its annual dividend payment for four consecutive years, and following its fourth-quarter dividend payment of $0.86 per share next month, 2016 will officially mark the fifth consecutive year with an increase.

As mentioned before, BMO has a long-term target dividend-payout range of 40-50% of its adjusted earnings, so its consistently strong growth, including its 6.5% year-over-year increase to $5.44 per share in the first nine months of fiscal 2016, could allow its streak of annual dividend increases to continue for decades.

DH Corp.

DH Corp., formerly known as Davis & Henderson, is one of the leading providers of financial technology, such as global transaction banking, lending, payments, and integrated core solutions, to banks, credit unions, specialty lenders, governments, and corporations around the world.

DH pays a quarterly dividend of $0.32 per share, representing $1.28 per share on an annualized basis, and this gives its stock a lavish 4.6% yield today.

Its dividend is easily confirmed as safe when you check its cash flow. In the first half of 2016, DH’s operating cash flow (OCF) totaled $1.38 per share, and its dividend payments totaled just $0.64 per share, resulting in a healthy 46.4% payout ratio.

Investors should also note that DH has maintained its current quarterly dividend rate since the fourth quarter of 2012, and its very strong generation of OCF and low payout ratio could allow it continue to do so for the next several years, or allow it to announce a hike whenever its management team so chooses.

Is one a better bet than the other?

BMO and DH both have high and safe dividend yields, but if I had to choose just one for an investment today, I’d go with BMO because it comes with the added benefit of dividend growth.

CATEGORY

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2. Investing

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