



Supplement Your Income With These +5% Yielders

Description

GICs, term deposits, bonds, and other traditional sources of income yield next to nothing these days, so savvy investors are turning to monthly dividend stocks to supplement their income.

Let's take a closer look at why **Keg Royalties Income Fund** ([TSX:KEG.UN](https://www.tsx.com/stocks/keg)) and **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.tsx.com/stocks/rei)) are great picks for income today.

Keg Royalties Income Fund

Keg Royalties Income Fund, or "The Fund" for short, owns the trademarks and other intellectual properties associated with the Keg restaurant brand through its subsidiary The Keg Rights Limited Partnership. It licenses these properties to Keg Restaurants Ltd. for use in operating restaurants in exchange for a royalty of 4% of sales at Keg restaurants in Canada and the U.S., where there are 100 as of September 30.

The Fund currently pays a monthly distribution of \$0.0918 per unit, representing \$1.1016 per unit on an annualized basis, which gives its stock a juicy 5.4% yield today.

It's highly important to always confirm the safety of a stock's distribution before investing, and this is very easy to do with The Fund, because it provides a cash flow metric called "distributable cash" in its earnings reports. In the first nine months of 2016, its distributable cash totaled \$9.87 million (\$0.869 per unit), and its distributions totaled just \$9.12 million (\$0.804 per unit), resulting in a healthy 92.5% payout ratio, which is well below its target of 100%.

If having a high and safe yield over 5% is not enough to have you salivating over The Fund, it has also been growing its distribution at a rapid pace. It has raised its monthly distribution five times since the start of 2015, growing it by 14.8% from \$0.08 per unit to its current rate of \$0.0918 per unit, which means 2016 will mark the second consecutive year in which it has raised its annual distribution. Its most recent hikes have it on pace for 2017 to mark the third consecutive year with an increase.

As mentioned before, The Fund has a target payout of 100% of its distributable cash, so I think its consistently strong growth, including its 6.9% year-over-year increase to \$0.869 per unit in the first nine

months of 2016, will allow its streak of annual distribution increases to continue in 2018 and beyond.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust is Canada's largest REIT with a total enterprise value of approximately \$14.7 billion as of September 30. It owns and manages Canada's largest portfolio of shopping centres with ownership interests in 301 retail and mixed-use properties, including 15 under development, containing an aggregate net leasable area of approximately 46.6 million square feet.

It pays a monthly distribution of \$0.1175 per unit, representing \$1.41 per unit on an annualized basis, giving its stock a hefty 5.3% yield today.

To check the safety of RioCan's yield, all you have to do is look at its cash flow. In the first nine months of 2016, its adjusted funds from operations (AFFO) totaled \$382.03 million (\$1.17 per unit), and its distributions totaled just \$343.32 million (\$1.0575 per unit), resulting in a rock-solid 90% payout ratio.

RioCan is also known as one of the market's most reliable income providers, because it has paid distributions since 1994 and maintained its current monthly distribution rate since January 2013. I think its consistent AFFO generation, including \$1.57 per unit in fiscal 2015 and \$1.17 per unit in the first nine months of 2016, could allow it to continue to maintain its current monthly rate for the next several years, but I also think there's a strong possibility it will raise its rate following the completion of some of its large development properties in 2017 and 2018.

Should you prefer one over the other?

Keg and RioCan are both great picks for income today, but if I had to choose just one, I'd go with RioCan simply because Keg is in the restaurant industry, which is one of the most competitive industries in North America.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KEG.UN (The Keg Royalties Income Fund)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Author

jsolitro

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