

Start Building Your Own Pension With These +5% Yielders

Description

If your employer doesn't offer a pension plan, you don't need to worry; you just need to take action by creating your own. You can do this by investing in stocks with high and reliable distributions that are paid on a monthly basis, so let's take a quick look at two with yields over 5% that you could buy today.

Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) is one of the largest energy infrastructure companies in Canada and Europe with a total enterprise value of approximately \$15.56 billion as of September 30. Its operating assets include oil sands, conventional oil, and natural gas liquids pipelines, petroleum and petrochemical storage facilities, offgas extraction facilities, straddle plants, and a fractionator.

Inter Pipeline currently pays a monthly dividend of \$0.135 per share, representing \$1.62 per share on an annualized basis, and this gives its stock a whopping 5.9% yield today.

It's very important to always confirm the safety of a stock's dividend before investing, and you can do this with Inter Pipeline by checking its cash flow. In its nine-month period ended on September 30, its funds from operations attributable to shareholders totaled \$565.6 million, and its dividend payments totaled just \$394.1 million, resulting in a conservative 69.7% payout ratio.

On top of offering high and reliable monthly distributions, Inter Pipeline offers dividend growth. Following the payment of its December dividend, it will have officially raised its annual dividend payment for seven consecutive years, and its 3.8% hike on November 3 has it positioned for 2017 to mark the eighth consecutive year with an increase.

The growth potential of Inter Pipeline's dividend is very promising going forward as well. I think its strong financial performance, including its 6.4% year-over-year increase in funds from operations attributable to shareholders in the first nine months of 2016, and its numerous growth opportunities, including the \$4 billion worth of long-term potential oil sands opportunities it has identified, will allow its streak of annual dividend increases to continue through 2025.

Smart REIT

Smart REIT ([TSX:SRU.UN](#)) is one of Canada's largest owners and operators of commercial real estate. As of September 30, its portfolio consists of 142 shopping centres with total gross leasable area of 31.5 million square feet, one office building, and eight development properties located across all 10 provinces.

Smart REIT currently pays a monthly distribution of \$0.1417 per unit, representing \$1.70 per unit on an annualized basis, giving its stock an abundant 5.5% yield at today's levels.

Its distribution is easily confirmed as safe when you check its cash flow. In its nine-month period ended on September 30, Smart REIT's adjusted funds from operations (AFFO) totaled \$245.71 million, and its

distributions declared totaled just \$192.63 million, resulting in a solid 78.4% payout ratio, which is within its target range of 77-82%.

Like Inter Pipeline, Smart REIT offers distribution growth in addition to its high and safe yield. Following the payment of its December distribution, it will have officially raised its annual distribution for three consecutive years, and its 3% hike in August, which was effective for its October payment, puts it on pace for 2017 to mark the fourth consecutive year with an increase.

As mentioned before, Smart REIT has a target payout range of 77-82% of its AFFO, so I think its very strong growth, including its 13.7% year-over-year increase in the first nine months of 2016, and its ongoing expansion efforts that will fuel future AFFO growth, including its addition of four operating properties so far in 2016 and its eight properties under development, will allow its streak of annual distribution increases to continue through 2020 at the very least.

Which is the better buy today?

Inter Pipeline and Smart REIT both offer high, safe, and growing distributions, making them strong buys in my book. With this being said, I do not prefer one to the other, so if I had to choose just one to invest in today, I'd simply flip a coin.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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