2 Dividend Stocks That Can Boost Your Portfolio's Yield

Description

If your portfolio lacks yield and you're ready to do something about it, then you've come to the right place. Let's take a closer look at two stocks with high and safe yields of 5% or more that you could buy today.

Genworth MI Canada Inc.

Genworth MI Canada Inc. (TSX:MIC) is the parent company of Genworth Financial Mortgage Insurance Company Canada, which is the country's largest private residential mortgage insurer. It provides mortgage default insurance to residential mortgage lenders, making homeownership more accessible for Canadians.

Genworth currently pays a quarterly dividend of $0.44 per share, representing $1.76 per share on an annualized basis, which gives its stock a stunning 5.2% yield today.

As savvy investors, we know we must always confirm the safety of a stock's dividend before investing, and you can do this with Genworth by checking its dividend payments as a percentage of its net operating income (NOI). In its nine-month period ended on September 30, 2016, its NOI totaled $283 million ($3.09 per share), and its dividend payments totaled just $116 million ($1.26 per share), resulting in a 41% payout ratio, which is within its target range of 35-45%.

On top of its high and safe yield, Genworth offers dividend growth. Last year officially marked the seventh consecutive year in which it had raised its annual dividend payment, and its 4.8% hike in November has it positioned for 2017 to mark the eighth consecutive year with an increase.

As mentioned previously, Genworth has a target payout range of 35-45% of its NOI, so I think its continual growth, including its 2.3% year-over-year increase to $3.09 per share in the first nine months of 2016, and its growing asset base which will help fuel future growth, including its 5.6% year-over-year increase to $6.6 billion in the first nine months of 2016, will allow its streak of annual dividend increases to continue in 2018 and beyond.

Killam Apartment REIT

Killam Apartment REIT (TSX:KMP.UN) is one of Canada's largest residential landlords. It owns and operates 179 apartment properties with a total of 13,952 units and 35 manufactured home communities with a total of 5,165 land-lease sites located across Nova Scotia, New Brunswick, Ontario, Newfoundland & Labrador, Prince Edward Island, and Alberta. It also owns four commercial properties, comprising of approximately 248,000 square feet in Halifax, Nova Scotia.

Killam pays a monthly distribution of $0.05 per unit, representing $0.60 per unit on an annualized basis, and this gives its stock a rich 5% yield today.

You can easily confirm the safety of this 5% yield by checking Killam's cash flow. In its nine-month period ended on September 30, 2016, its adjusted funds from operations (AFFO) totaled $38.79 million ($0.58 per unit), and its distributions totaled just $30.29 million ($0.45 per unit), resulting in a sound 78.1% payout ratio.

In addition to having a high and safe yield, Killam is known as being a very reliable income provider, because it has maintained its current monthly distribution rate since January 2014 and has paid out a monthly distribution of at least $0.04668 per unit since it began paying distributions in March 2007.

I think Killam's very strong AFFO growth, including its 13.7% year-over-year increase to $0.58 per unit in the first nine months of 2016, and its improved payout ratio, including 78.1% in the first nine months of 2016 compared with 88.2% in the same period in 2015, could allow it to continue to maintain its current monthly distribution rate for decades.

Which is the better buy now?

I think both Genworth and Killam represent great long-term investment opportunities for dividend investors, but if I had to choose just one to invest in today, I'd go with Genworth because it has a slightly higher yield and a very impressive track record of dividend growth.

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