



2 Reliable Income Stocks With Yields up to 9.4%

Description

Investing in monthly dividend stocks is the only way to generate significant income these days, because bonds, Guaranteed Investment Certificates (GICs), and savings accounts do not offer the yields they once did.

With this in mind, let's take a look at two stocks with high and safe yields over 5% that you could buy to generate a steady stream of monthly income today.

Slate Office REIT

Slate Office REIT (TSX:SOT.UN) is one of Canada's largest owners and operators of commercial real estate. Its portfolio consists of 35 "non-trophy" downtown and suburban office properties located across the country that total approximately five million square feet of gross leasable area.

Slate pays a monthly distribution of \$0.0625 per unit, representing \$0.75 per unit on an annualized basis, and this gives its stock a very high yield of about 9.4% today.

It's of the utmost importance to always confirm the safety of a stock's distribution, especially if you'll be relying on it to supplement your monthly income, and you can do this with Slate by checking its cash flow. In its nine-month period ended on September 30, 2016, its adjusted funds from operations (AFFO) totaled \$24.53 million (\$0.65 per unit), and its distributions totaled just \$21.4 million (\$0.5625 per unit), resulting in a sound 87.2% payout ratio.

On top of having a very high and safe yield, Slate is known as being a very reliable income provider, because it has maintained its current annual distribution rate since its initial public offering in December 2012.

I think investors can continue to rely on Slate for a steady stream of monthly income going forward as well. I think its very strong AFFO growth, including its 6.6% year-over-year increase to \$0.65 per unit in the first nine months of 2016, and its ongoing acquisition activity that will help drive future growth, including its addition of two office buildings in the first nine months of 2016, will allow it to continue to maintain its current monthly dividend rate for the foreseeable future.

Medical Facilities Corp.

Medical Facilities Corp. ([TSX:DR](#)), or MFC for short, owns controlling interests in five specialty surgical hospitals in Arkansas, Indiana, Oklahoma, and South Dakota, and an ambulatory surgery centre in California. It also owns a controlling interest in a diversified healthcare service company that provides third-party solutions to healthcare providers such as physician practices, facilities, and insurance companies.

MFC pays a monthly dividend of \$0.09375 per share, representing \$1.125 per share on an annualized basis, which gives its stock a rich yield of about 5.9% today.

Confirming the safety of MFC's dividend is very easy, because it provides a cash flow metric called "cash available for distribution (CAFD)" in its earnings reports. In its nine-month period ended on September 30, 2016, its CAFD totaled \$32.9 million (\$1.06 per share), and its distributions totaled just \$26.2 million (\$0.84 per share), resulting in a solid 79.6% payout ratio.

Like Slate Office REIT, MFC is known as being a very reliable income provider, because it has paid 154 consecutive dividends since its inception and has maintained its current monthly rate since August 2012.

I think MFC's consistent generation of CAFD, including \$1.06 per share in the first nine months of both fiscal 2015 and 2016, and its recent acquisition activity that will fuel growth in 2017 and beyond, including its US\$19.95 million acquisition of Prairie States Surgical Center in South Dakota which was completed in October, will allow it to continue to maintain its current monthly dividend rate for decades.

Which is the better buy right now?

I think both Slate Office REIT and Medical Facilities Corp. represent great income opportunities, but if I had to choose just one to invest in today, I'd go with Slate, because it has a much higher yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DR (Medical Facilities Corporation)
2. TSX:RPR.UN (Ravelin Properties REIT)

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