Income Investors: 2 High-Yield Picks for Your TFSA

Description

Canadians with a focus on income are searching for quality REITs and dividend stocks to put in their TFSA portfolios.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Altagas Ltd.** (TSX:ALA) to see why they might be attractive today.

RioCan

RioCan has interests in more than 300 retail properties across Canada.

The company's core tenants tend to be large, well-established chains that cater to recession-resistant segments of the market, such as grocery, pharmaceutical, discount goods, and household products.

This doesn't mean the business is immune to shocks, as we saw with the exit of **Target** Canada, but RioCan's locations tend to be in high demand, so the failure of one client doesn't cause much long-term grief.

In fact, RioCan already has new customers lined up that will replace 122% of the revenue lost due to the Target closures.

On the growth front, the company has 15 new retail properties under development that will add 3.3 million square feet of space to the portfolio.

RioCan is also in the early stages of a plan to build up to 10,000 residential units at some of its top urban locations. As of the Q3 2016 earnings release, the company had already received approval for nine mixed-use projects.

If the concept takes off, investors could see the residential projects deliver a nice boost to revenue over the course of the coming decade.

The unit price has come under some pressure in recent months due to concerns about potential interest rate hikes. RioCan has done a good job of reducing its debt and is now one of the lowest-leveraged REITs in Canada, so the business should be positioned well to adjust to a rising-rate environment.

RioCan pays a monthly distribution of 11.75 cents per unit. That's good for a yield of 5.3% at the current price.

Altagas

Altagas is an energy infrastructure business with assets located in Canada and the United States.

The company recently announced plans to buy **WGL Holdings Inc.** for $8.4 billion in a deal that has received mixed views from analysts.

The acquisition is big, but management has a strong track record of integrating new businesses into the portfolio, and it looks like investors are going to benefit significantly as a result of the purchase.

Why?

Altagas says the deal should boost earnings per share by at least 8% through 2021, and the company plans to increase the dividend by 8-10% per year over that time frame.

At the moment, the current monthly payout of $0.175 per share already yields 6.75%, so there is an opportunity for income investors to pick up some nice returns right now.

Is one more attractive?

Both companies look like solid buy-and-hold picks for a TFSA income portfolio.

Altagas offer a higher yield, and investors could see some nice gains in the stock price over the medium term once the WGL deal is completed. As a result, I would probably make the energy infrastructure company the first pick today.

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aswalker