

2 Stocks With Yields of 5-6% to Buy for Income

Description

Investing in monthly dividend stocks is the only way to generate significant income, because bonds, GICs, savings accounts, and other traditional sources of income yield next to nothing these days.

With this in mind, let's take a look at two high-quality income stocks with yields over 5% that you could add to your portfolio today.

Boston Pizza Royalties Income Fund

Boston Pizza Royalties Income Fund ([TSX:BPF.UN](#)), or "The Fund" for short, indirectly owns the trademarks and trade names used by the Boston Pizza restaurant chain in Canada. It licenses these properties to Boston Pizza International in return for a royalty of 5.5% of sales at the restaurants in its royalty pool, which currently consists of 383 restaurants.

The Fund currently pays a monthly distribution of \$0.115 per unit, representing \$1.38 per unit on an annualized basis, and this gives its stock a juicy 6% yield at today's levels.

It's very easy to confirm the safety of The Fund's 6% yield, because it provides a cash flow metric called "distributable cash" in its earnings reports. In its fiscal year ended on December 31, 2016, its distributable cash totaled \$28.18 million (\$1.388 per unit), and its distributions totaled just \$27.88 million (\$1.373 per unit), resulting in a 98.9% payout ratio, which is very close to its 100% payout target.

In addition to offering a very high and safe yield, Boston Pizza is one of the best distribution-growth plays in the restaurant industry. It has raised its annual distribution each of the last five years, and its 6.2% hike in February 2016 has it positioned for 2017 to mark the sixth consecutive year with an increase.

The Fund is well positioned to continue growing its distribution in the years ahead as well. I think its continual growth of distributable cash, including its 11% year-over-year increase to \$1.364 per unit in 2015 and its 1.8% year-over-year increase to \$1.388 per unit in 2016, and its growing royalty pool that will help fuel future growth, including its addition of 11 net new restaurants in 2016 and its addition of 13 new restaurants last month, will allow its streak of annual distribution increases to continue in 2018 and beyond.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is Canada's largest REIT with a total enterprise value of approximately \$14.6 billion as at December 31, 2016. Its portfolio consists of 300 retail and mixed-use properties, including 15 that are under development, totaling about 47 million square feet of net leasable area.

RioCan pays a monthly distribution of \$0.1175 per unit, representing \$1.41 per unit on an annualized basis, which gives its stock a lavish 5.2% yield today.

Confirming the safety of this 5.2% yield is as easy as checking RioCan's cash flow. In its fiscal year ended on December 31, 2016, its adjusted funds from operations (AFFO) totaled \$501.18 million (\$1.54 per unit), and its distributions totaled just \$458.39 million (\$1.41 per unit), resulting in a sound 91.5% payout ratio, which is right around its target payout ratio of 90%.

RioCan is also known as one of the REIT industry's most reliable income providers. It has paid distributions every year since 1994 and maintained its currently monthly distribution rate since January 2013, and I think its consistent AFFO generation, including \$1.57 per unit in 2015 and \$1.54 per unit in 2016, will allow it to continue to maintain its current rate for the foreseeable future.

Is one a better pick for income today?

I think The Fund and RioCan both represent very attractive income opportunities, but if I had to choose just one to invest in today, I'd go with The Fund, because it has a higher yield and has shown a stronger dedication to growing its distribution.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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