

2 Top Income Stocks With Yields of 5-6%

Description

If you're searching for monthly dividend stocks to help supplement your monthly income, then you've come to the right place. Let's take a closer look at two with yields of 5-6% that you could buy right now.

Enbridge Income Fund Holdings Inc.

Enbridge Income Fund Holdings Inc. (TSX:ENF), through its investment in Enbridge Income Fund, indirectly holds high-quality, low-risk energy infrastructure assets. Its indirectly owned assets include a portfolio of oil and natural gas pipelines, oil-storage facilities, and green-power-generation facilities, all of which are operated by **Enbridge Inc.**, one of the North America's leading energy-delivery companies.

ENF currently pays a monthly dividend of \$0.1711 per share, representing \$2.0532 per share on an annualized basis, and this gives its stock a massive 6% yield at today's levels.

It's highly important to always confirm the safety of a stock's dividend before making an investment, especially if you will be relying on it to supplement your income, and you can do this with ENF by checking its dividend payments as a percentage of its net earnings. In its fiscal year ended on December 31, 2016, its net earnings totaled \$252 million (\$2.14 per diluted share), and its dividend payments totaled \$219 million (\$1.866 per common share), resulting in a sound 86.9% payout ratio.

In addition to having a very high and safe yield, ENF is one of the top dividend-growth income stocks you will find. It has raised its annual dividend payment for six consecutive years, including a compound annual growth rate of approximately 10.7% over the last five years, and its 10% hike last month has it positioned for 2017 to mark the seventh consecutive year with an increase.

ENF's dividend growth will continue in the years ahead as well, because it has a program in place to do so. Its program calls for annual dividend growth of 10% through 2019, and I think its very strong earnings growth, including its 14.4% year-over-year increase to \$1.83 per diluted share in 2015 and its 16.9% year-over-year increase to \$2.14 per diluted share in 2016, will allow it to achieve this growth target and extend it well beyond 2019.

Smart REIT

Smart REIT ([TSX:SRU.UN](#)) is one of Canada's largest owners and operators of commercial real estate. Its portfolio consists of 142 retail properties, one office property, one mixed-use property, and eight development properties located across all 10 provinces.

It currently pays a monthly distribution of \$0.1417 per unit, representing \$1.70 per unit on an annualized basis, which gives its stock a beautiful 5.1% yield today.

This 5.1% yield can easily be confirmed as safe by checking Smart REIT's cash flow. In its fiscal year ended on December 31, 2016, its adjusted funds from operations (AFFO) totaled \$325.96 million

(\$2.10 per unit), and its distributions totaled just \$259.1 million (\$1.67 per unit), resulting in a conservative 79.5% payout ratio, which is within its target range of 77-82%.

Smart REIT has also shown a dedication to growing its distribution. It has raised its annual distribution each of the last three years, and its 3% hike that took effect in October has it on pace for 2017 to mark the fourth consecutive year with an increase.

I think Smart REIT can continue to grow its distribution in the years ahead as well. I think its continually strong AFFO growth, including its 8.2% year-over-year increase to \$1.99 per unit in 2015 and its 5.5% year-over-year increase to \$2.10 per unit in 2016, will allow its streak of annual distribution increases to continue through 2020 at the very least.

Should you prefer one to the other?

ENF and Smart REIT both offer high, safe, and growing dividends, making them strong buys in my book. With this being said, I do not prefer one to the other, so I would either buy both or flip a coin to decide between them.

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