

2 Excellent Stocks for Any Dividend Portfolio

Description

If you're hunting for a great stock to add to your dividend portfolio, then you've come to the right place. Let's take a closer look at two with yields of 3-6% that you could buy today.

Sun Life Financial Inc.

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is one of the world's leading international financial services organizations. It provides a diverse range of insurance, wealth, and asset management solutions to individuals and corporate clients in numerous markets around the world, including Canada, the U.S., the U.K., China, Japan, India, and Australia.

Sun Life currently pays a quarterly dividend of \$0.42 per share, representing \$1.68 per share on an annualized basis, which gives its stock a yield of about 3.4% today.

It's very easy to confirm the safety of this 3.4% yield; all you have to do is calculate Sun Life's dividend payments as a percentage of its earnings. In its fiscal year ended on December 31, 2016, its underlying net income totaled \$3.80 per share, and its dividend payments totaled just \$1.62 per share, resulting in a very conservative 42.6% payout ratio, which is at the low end of its target range of 40-50%.

Sun Life has also been growing its dividend. It has raised its annual dividend payment in each of the last two years, and its two hikes in 2016, including its 3.8% hike in May and its 3.7% hike in November, have it positioned for 2017 to mark the third consecutive year with an increase.

As I mentioned previously, Sun Life has a target dividend-payout range of 40-50% of its underlying net earnings, so I think its continued growth, including its 27% year-over-year increase to \$3.76 per share in 2015, its 1.1% year-over-year increase to \$3.80 per share in 2016, and its targeted 8-10% annual growth in the medium term, will allow its streak of annual dividend increases to continue in 2018 and beyond.

Keg Royalties Income Fund

Keg Royalties Income Fund ([TSX:KEG.UN](#)), or "The Fund" for short, indirectly owns certain trademarks and other related intellectual properties associated with The Keg restaurant brand in Canada and the U.S. It licenses these properties to Keg Restaurants Ltd. in exchange for a royalty of 4% of sales at the restaurants in its royalty pool, which currently has 100 restaurants.

The Fund currently pays a monthly distribution of \$0.0918 per unit, representing \$1.1016 per unit on an annualized basis, and this gives its stock a yield of about 5.4% today.

Confirming the safety of this 5.4% yield is as easy as checking The Fund's latest earnings report, because it provides a cash flow metric called "distributable cash." In its fiscal year ended on December 31, 2016, its distributable cash totaled \$12.81 million (\$1.128 per unit), and its distributions totaled

\$12.59 million (\$1.109 per unit), resulting in a sound 98.3% payout ratio, which is right around its target payout of 100%.

The Fund has also been growing its distribution at a high rate. It has raised its distribution five times since the start of 2015, and its two hikes in 2016, including its 2.9% hike in May and its 2% hike in August, have it on pace for 2017 to mark the third consecutive year in which it has raised its annual distribution.

As I mentioned before, The Fund has a target payout of 100% of its distributable cash, so I think its consistently strong growth, including its 7.7% year-over-year increase to \$1.083 per unit in 2015 and its 4.2% year-over-year increase to \$1.128 per unit in 2016, will allow it to announce a hike at some point in 2017 and keep its annual increase streak alive through 2020 at least.

Which should you buy today?

I think Sun Life and The Fund would make great additions to any dividend portfolio, so take a closer look at each and strongly consider initiating a position in at least one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KEG.UN (Keg Royalties Income Fund)
2. TSX:SLF (Sun Life Financial Inc.)

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