



2 Stocks Yielding 3-5% Worth Buying Today

Description

If you're on the prowl for a quality 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 3-5% that you could buy right now.

Manulife Financial Corp.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is one of the world's largest financial services groups, operating as John Hancock in the United States, and Manulife elsewhere. It provides financial advice, insurance, and wealth and asset management solutions to individuals, groups, and institutions, and it has approximately \$977 billion in assets under management as of December 31, 2016.

Manulife currently pays a quarterly dividend of \$0.205 per share, representing \$0.82 per share on an annualized basis, which gives its stock a beautiful 3.3% yield at today's levels.

As Foolish investors, we know we must always confirm the safety of a stock's dividend before making an investment, and you can do this with Manulife by checking its dividend payments as a percentage of its net income. In its fiscal year ended on December 31, 2016, its common shareholders' net income totaled \$2.8 billion, and its common share dividend payments totaled just \$1.44 billion, resulting in a rock-solid 51.3% payout ratio.

Not only does Manulife offer a very safe 3.3% yield, but it also offers dividend growth. It has raised its annual dividend payment each of the last three years, and its 10.8% hike last month has it on pace for 2017 to mark the fourth consecutive year with an increase.

I think Manulife can continue to grow its dividend in the years ahead as well. I think its very strong growth of common shareholders' net income, including its 34.7% year-over-year increase to \$2.8 billion in 2016, and its continued growth of assets under management and administration that will help fuel future net income growth, including its 4.5% year-over-year increase to \$977.06 billion in 2016, will allow its streak of annual dividend increases to continue through 2020 at least.

Morneau Shepell Inc.

Morneau Shepell Inc. (TSX:MSI) is a human resources consulting and technology company. It's Canada's leading provider of employee- and family-assistance programs, its largest administrator of pension and benefit plans, and its largest provider of integrated absence-management solutions. It serves approximately 20,000 organizations across North America.

Morneau Shepell pays a monthly dividend of \$0.065 per share, representing \$0.78 per share on an annualized basis, and this gives its stock a juicy 4.1% yield today.

Confirming the safety of this 3.3% yield is as easy as checking Morneau Shepell's cash flow in its most recent earnings release. In its fiscal year ended on December 31, 2016, its normalized free cash flow totaled \$70.9 million, and its dividend payments totaled just \$40 million, resulting in a very sound 56.4% payout ratio.

In addition to having a safe 4.1% yield, Morneau Shepell is known as being a very reliable income provider, because it has maintained its currently monthly dividend rate since January 2011.

I think investors can continue to rely on Morneau Shepell for an income stream going forward as well. I think its very strong growth of normalized free cash flow, including its 15.1% year-over-year increase to \$70.9 million in 2016, and its greatly improved payout ratio, including 56.4% in 2016 compared with 60.8% in 2015, will allow it to continue to maintain its currently monthly dividend rate for decades, or allow it to raise its dividend whenever its management team so chooses.

Which should you buy today?

I think Manulife Financial and Morneau Shepell represent fantastic long-term investment options for your 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

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1. Editor's Choice

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