Create Your Own Pension Starting With These 3-6% Yielders

Description

If your employer doesn't offer a pension plan, you don't need to worry; you just need to take action by creating your own. You can do this by investing in stocks with high and reliable dividends that are paid on a monthly basis, so let's take a quick look at two with yields up to 5.2% that you could buy today.

Vermilion Energy Inc.

Vermilion Energy Inc. (TSX:VET)(NYSE:VET) is a leading global independent oil and gas exploration and production company with operations across Europe, North America, and Australia.

It pays a monthly dividend of $0.215 per share, representing $2.58 per share on an annualized basis, and this gives its stock a yield of approximately 5.2% today.

Vermilion clearly has a high yield, but is it a reliable dividend payer? The answer to this is an emphatic yes. It has paid monthly dividends uninterrupted and without reduction since September 2003, and it has maintained its current monthly rate since January 2014, making it one of the most reliable income providers in the energy sector today.

I think investors can continue to rely on Vermilion for income going forward as well. I think its very strong generation of funds from operations, including $4.41 per share in 2016, a projected 22.2% year-over-year increase to $5.39 per share in 2017, and a projected 2.6% year-over-year increase to $5.53 per share in 2018, will allow it to continue to maintain its current annual dividend rate for decades, or allow it to announce a slight hike whenever its management team so chooses.

Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN), or CAPREIT for short, is one of Canada's largest residential landlords. As of its fiscal year ended on December 31, 2016, it has ownership interests in 48,767 residential units located in and near major urban centres across Canada and the Netherlands.

CAPREIT currently pays a monthly distribution of $0.1067 per unit, representing $1.28 per unit on an annualized basis, which gives its stock a yield of about 3.8% today.

CAPREIT may have a lower yield than Vermilion, but it offers something that Vermilion does not: annual distribution increases. It has raised its annual distribution for five consecutive years, and its two hikes in the last 12 months, including its 2.5% hike in June 2016 and its 2.4% hike in February of this year, have it positioned for 2017 to mark the sixth consecutive year with an increase.

I think CAPREIT can continue to grow its distribution in 2018 and beyond as well. It has a target payout range of 70-80% of its normalized funds from operations (NFFO), so I think its consistent growth, including its 4.7% year-over-year increase to $1.772 per unit in 2016, its greatly improved payout ratio, including 70.9% of its NFFO in 2016 compared with 73.1% in 2015, and its growing portfolio that will help fuel future NFFO growth, including its addition of 1,977 net new units in 2016, will allow its streak of annual distribution increases to continue into the 2020s at the very least.

Is now the time for you to buy one of these income stocks?

Vermilion Energy and CAPREIT can help you create your own pension, so take a closer look at each and consider investing in one or both of them today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
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