1 Shareholder-Friendly Stock With a Delicious 8.8% Dividend Yield

Description

If you're an investor that depends on dividend stocks for income, then you'll know firsthand that it can be a daunting task to find the balance between stability and a high yield.

If you're retired, then you know how tough it can be to live on a budget, but you also don't want to risk your hard-earned money on a stock with an artificially high yield. You can't afford to take a huge amount of risk as a retiree because that could be detrimental to your retirement in the long run. You want to avoid the stocks of businesses that may cut their dividends over the next few years because not only will your income go down, but you may experience major capital losses as well.

Many investors have a personal rule to avoid dividend cuts. Some investors have a rule of thumb to not invest in companies with yields above 6%. Other investors may pass on stocks that have a higher payout ratio than the company's historical average. Some may look at a company's historical dividend payout over the last decade or more to see if the company has a history of cutting dividends.

These are just a few interesting ways to avoid a dividend cut, but if you follow these techniques, you may be closing the door to safe, high-yielding stocks that are temporarily beaten up.

Take **Corus Entertainment Inc.** (TSX:CJR.B) as an example. It's got a fat 8.8% dividend yield at current levels, which may seem too good to be true, but is the company actually destined for a dividend cut somewhere down the road? Let's take a look.

The stock is down approximately 50% from its high in 2014 thanks to the growing trend in cable cutting and the lack of intriguing content. The pick-and-pay system was a shot in the gut because the average Canadian isn't dying to see programs shown exclusively on a Corus channel. Sure, the company has an artificially high yield, but I don't think the company should be avoided like the plague.

Corus needs to create more interesting content to keep Canadians engaged, but I don't think the dividend sustainability is in jeopardy if the company fails to do this, especially since Corus owns a huge chunk (about 35%) of Canadian English language TV programming.

Corus is also extremely shareholder friendly. The company hasn't cut its dividend over the last decade, even during the Financial Crisis, when the company got crushed. This is definitely a promising sign, but there's a risk that Corus may be too shareholder friendly for its own good. It might be a better idea to use the cash to pay off debt or invest in initiatives to get Corus out of its funk faster, but the management team will probably leave a dividend cut as its last resort.

If you're looking to give yourself a raise, then Corus Entertainment may be worth picking up if you don't mind taking on a little more risk.

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