



## Income Investors: 2 High-Yield Picks For Your TFSA Portfolio

### Description

Canadian income seekers are moving into REITs and dividend stocks to help boost the yield on their investments.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:LREI.UN) and **Altagas Ltd.** ([TSX:ALA](#)) to see why they might be attractive right now.

#### RioCan

Riocan has interests in more than 300 retail properties across Canada.

Critics of the REIT say brick-and-mortar retail is a dying business and rising interest rates will put a pinch on cash flow available for distributions.

It's certainly true that the headlines are full of struggling retail companies, but not all segments are under the same pressure. And, strong demand for RioCan's properties suggest the market is still healthy.

Committed occupancy rose to 95.6% at the end of 2016, compared to 94% at the same time the previous year.

RioCan's core tenants tend to be large, established businesses serving parts of the market that normally hold up well in tough economic times. They are also somewhat resistant to pressure from online retail.

This includes grocery stores, pharmacies, discount stores, and retailers of everyday household goods.

Rising rates can be an issue for the REIT sector, which tends to carry significant debt. RioCan's management team knows this and is working hard to reduce the company's leverage.

RioCan sold off its U.S. assets last year and used part of the funds to pay down debt. As a result, the company finished Q4 2016 with a total debt to total asset ratio of 39.7%, compared to 46.1% for the

same period in 2015.

RioCan has a solid growth portfolio on the retail side and is beginning the process of adding residential units to its top urban locations.

The REIT pays a monthly distribution of 11.75 cents per unit. That's good for a yield of 5.3%.

## **Altagas**

Altagas is an energy infrastructure company with assets located in Canada and the United States. The businesses cover a number of segments, including power, gas, and utilities.

Management does a good job of growing the business through a mix of strategic acquisitions and organic projects. Altagas is currently in the process of buying Washington D.C.-based **WGL Holdings** for \$8.3 billion.

In addition, the company is building a natural gas storage facility in Nova Scotia and has several projects underway in British Columbia.

Altagas expects cash flow to increase enough in the coming years to support annual dividend growth of at least 8%. The current payout provides a yield of 6.8%.

## **Is one more attractive?**

At this point Altagas provides a higher yield and probably offers stronger distribution growth in the medium term. If you only choose one, I would make Altagas the first pick today.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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