



Retirees: 2 High-Yield Stocks for Safe, Growing Income

Description

Most retirees want a stable stream of income to more or less replace the income from their past jobs. Here are two high-yield stocks they should consider: **Altgas Ltd.** ([TSX:ALA](#)) and **Enbridge Income Fund Holdings Inc.** (TSX:ENF).

Altgas

Altgas's dividend is attractive; it offers a yield of nearly 7%. That's thanks to both its share price decline and its tendency to increase its payout. It has increased its dividend for five consecutive years, and its dividend per share is 6% higher than it was a year ago.

The company has a diversified business which supports its distribution. It processes and transports natural gas, generates power with clean energy, and distributes natural gas to more than 570,000 customers.

Its power-generation business contributes 40% to its earnings before interest, taxes, depreciation, and amortization, followed by its regulated gas utility business and gas business, which contribute 36% and 24%, respectively.



The price decline is likely due to its acquisition of **WGL Holdings** for \$8.4 billion, which is expected to close in mid-2018. The company made available \$2.1 billion of subscription receipts at \$31 per receipt to help fund the acquisition.

Before the acquisition closes, its common shares won't trade far away from the \$31 mark. After the price decline, there's little downside to Altagas's common shares, barring a market-wide decline.

You can opt to buy the receipts, which offer a dividend-equivalent payment at a slightly discounted price and higher yield than the common shares. The only difference is that the receipts pay out interest and return of capital, which are taxed differently than eligible dividends.

When the WGL acquisition completes, the receipts will be converted to Altagas shares. If it falls through, you'll get \$31 per receipt back.

Enbridge Income Fund

Enbridge Income Fund is designed for income investors. At below \$33 per share, it's good for a nearly 6.3% yield. The company has increased its payout for six consecutive years and believes it can grow its dividend per share by 10% per year through 2019.

The fund generates stable, growing cash flows from a portfolio of low-risk infrastructure assets, including assets for energy transportation and power generation. These assets are owned by the fund and operated by **Enbridge**.

Enbridge Income Fund can deliver annualized returns of about 16% based on its dividend-growth projections without accounting for potential price appreciation. The roughly 5% pullback year to date is a decent entry point.

Investor takeaway

Altagas and Enbridge Income Fund offer high-yielding, monthly dividends. Also, their payouts are expected to continue to increase, just like they have in the past five to six years. As such, they're perfect income vehicles in a diversified portfolio for retirees.

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Date

2025/10/02

Date Created

2017/05/31

Author

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