



Canadian Income Investors: 2 Monthly Dividend Stocks Yielding 6.5-7%

Description

Income investors are searching for reliable dividend stocks to hold inside their Tax-Free Savings Accounts.

The strategy is a wise one, as the TFSA protects all earnings and gains from the taxman.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Altagas Ltd.** ([TSX:ALA](#)) to see why they might be interesting picks today.

IPL

The oil rout has taken a toll on most names connected to the energy sector, and IPL has not been spared.

The stock is down 15% in 2017 and is now trading at a 12-month low.

IPL owns natural gas liquids extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

The diversified revenue stream has enabled the company to weather the downturn in decent shape, and management has taken advantage of the tough times to add strategic assets at attractive prices.

As a result, IPL is positioned well to benefit when energy prices recover. In addition, the company has about \$3 billion in development projects under consideration that could provide a strong boost to cash flow in the next few years.

IPL continues to raise its dividend every year. The Q1 2017 payout ratio was 61%, so there is ample room for increases, even if cash flow remains stable.

The current monthly dividend of \$0.135 per share provides an annualized yield of 6.5%.

Altagas

Altagas has also come under pressure in recent months, providing investors with an opportunity to pick up the stock at a reasonable price.

The company owns gas, utility, and power assets in Canada and the United States, and continues to grow through strategic acquisitions and organic projects.

Altagas is in the process of buying Washington D.C.-based **WGL Holdings** for \$8.4 billion in a deal that should provide earnings per share accretion of at least 7%.

The deal is expected to close in 2018.

Altagas also has a number of internal projects on the go, including the expansion of its Townsend gas processing facility and the construction of a propane-export terminal in British Columbia.

In addition, Altagas is a player in the battery storage sector with its facility located in California.

Management expects to raise the dividend by at least 8% per year through 2021 as the new assets begin to contribute cash flow.

The current monthly dividend of \$0.175 per share provides an annualized yield of 7%.

Is one more attractive?

Both stocks provide attractive dividends that should be safe. If you want U.S. exposure, go with Altagas. If you like IPL's diversification into the European liquids storage business, the shares are worth considering at the current price.

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