Attention Income Investors: 2 High-Yield Canadian Dividend Stocks on Sale

Description

Retirees and other income investors are always searching for reliable dividend stocks that provide above-average yields.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks today.

BCE

BCE has been under pressure in recent months amid fears that rising interest rates are going to hammer telecom and utility stocks.

Why are interest rates important?

BCE attracts some yield-seeking investors who would prefer to be in safer investments, such as GICs, but they can't get the yield they need.

As interest rates rise, the returns from GICs should increase, which will potentially reduce the spread between the guaranteed investments and the higher-risk dividend stocks and trigger a shift of funds out of the equities.

The Bank of Canada recently increased interest rates for the first time in seven years, and the Federal Reserve in the U.S. has raised rates twice in 2017.

It's true that rates have probably bottomed, but investors might be getting ahead of themselves in thinking money is going to suddenly rush out of top dividend stocks.

BCE continues to grow and generates significant free cash flow to support the payout. The dividend currently yields 4.9%, which means it should remain very competitive with other yield options for quite some time.

IPL

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

The balanced revenue stream has helped the company navigate through the oil rout in good shape, and management has taken advantage of the downturn to add strategic assets.

IPL reported record results in Q1 2017, and the payout ratio for the quarter was 61%, so the dividend should be safe, even if the oil patch continues to struggle.

Income investors like the stock because it pays a monthly dividend. At the time of writing, the distribution provides a 6.5% annualized yield.

The stock has come down amid the broader sell-off in the energy sector, but the pullback might be a bit overdone.

Is one more attractive?

BCE is the more conservative pick, as it tends to hold up better when the market hits a rough patch.

If you can handle a bit of volatility, IPL might be more attractive today. The stock provides a higher yield, and investors could see some strong gains if sentiment shifts in the energy sector.

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Date
2025/08/23
Date Created
2017/08/02
Author
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