2 High-Yield Dividend Stocks Offering up to 8%

Description

Many income investors searching for an attractive return on their investments often face one common obstacle: it's tough to find stability with a high-yielding dividend stock.

For long-term, buy-and-hold types of investors, the predictability and stability of their investment return is more important than high yield.

And that makes sense. Many studies have shown that low-yielding, but stable investments over the long run perform better than those stocks offering above-average returns.

Here are my top picks in the high-yield category that come with various degrees of risk. Let's see if they match your investment style.

RioCan REIT

RioCan Real Estate Investment Trust (TSX:REI.UN) is Canada's largest REIT. With 299 retail properties across Canada, it owns and manages the country's largest portfolio of shopping centres. It tenants include **Wal-Mart**, **Canadian Tire**, and **Cineplex**.

An important detail you should know about REITs is that they're structured to distribute a major portion of their income among shareholders. RioCan pays a monthly dividend of $0.1175 per unit. At the time of writing, the payout provides an annualized yield of 5.9%.

Investing in RioCan provides a degree of stability with a quite attractive rate of return. The company has been paying dividends for the past 23 years, while keeping its payout ratio within a manageable level.

The major risk to REITs is a sudden departure of its major clients, higher interest rates, and unsustainable debt loads. RioCan is managing all of these risks well, while keeping its committed occupancy ratio at 97% by the end of second quarter.

RioCan has also cut its debt by using proceeds from the sale of its U.S. assets last year, generating a cushion to shield itself from possible rate hikes. RioCan plans to keep its total-debt-to-total-assets ratio between 38% and 42%.

Altagas Ltd.

If you can stomach a little more risk, then the second high-yielding stock on my radar is the Calgary-based **Altagas Ltd.** (TSX:ALA). The company is one of the major gas and power utilities in North America, offering $0.175 monthly dividend, or a 7.5% annual dividend yield.

Altagas grew its dividend by 9% from 2011 to 2016 and maintained one of the lowest payout ratios among its peers. On the basis of normalized funds from operations, the company's payout ratio has been between below 60% during that period.

Altagas has been trying to grow organically through acquisitions. Its $8.4 billion deal to buy the U.S.-based **WGL Holdings Inc.** (NYSE:WGL) is pending with the U.S. regulatory authorities.

The biggest risk you have to account for, other than the cyclical nature of energy prices, is the uncertainty over the regulatory approval of WGL deal.

Investors who are comfortable with this risk-reward equation have a good opportunity to add Altagas to their portfolios, as its shares are trading close to the 52-week low.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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