



Monthly Income: 2 Dividend Stocks Yielding up to 8%

Description

Investing in stocks that pay monthly dividend income works very well for those retirees who want to sync their monthly expenses with their cash flows.

Another advantage of investing in monthly dividend stocks is that you get much better compounding when you reinvest dividends to buy more shares.

If you receive dividends every month, you can use them to reinvest in more stocks and have those dividends grow more. The faster you reinvest those dividends, the faster they'll compound interest.

In Canada, there aren't many options available to earn monthly dividend income. Most of the companies that pay monthly dividend are real estate investment trusts (REITs).

Today, I've picked two non-REIT companies that pay quite attractive monthly distributions, and they might work well for your retirement portfolio.

Altagas Ltd.

Altagas Ltd. ([TSX:ALA](#)) is a Calgary-based power and gas utility with a well-diversified geographical presence. Its gas infrastructure runs more than two billion cubic feet of gas per day.

With a 7.5% annual dividend yield, Altagas pays a \$0.175-a-share monthly distribution, which comes to \$2.1 a share yearly. The amount of distribution has almost doubled during the past five years, and the company plans to hike it further by 8% each year through 2019.

There is no doubt that Altagas is a good dividend-growth stock, but when you look at its stock performance, the picture looks a little dismal. Its shares have fallen about 19% this year on concerns that its \$8.4 billion deal to buy the U.S.-based **WGL Holdings Inc.** ([NYSE:WGL](#)) may not go through due to regulatory hurdles.

Investors are also concerned that this acquisition will require Altagas to borrow heavily, which isn't a good omen for its future dividend growth.

But if you see a glass half full, then there is a silver lining in Altagas's pursuit for organic growth when there aren't many options left in the local market.

WGL maintains a diversified energy infrastructure, including gas utilities and pipelines, and it aligns well with Altagas's strategy of growing by adding high-quality contracted assets.

First National Financial Corp.

First National Financial Corp. ([TSX:FN](#)) currently offers one of the highest returns in the financial space.

With a dividend yield of 6.93%, First National stock pays \$0.15 a share monthly dividend, which comes to \$1.8 on yearly basis. This payout has grown about 42% during the past five years, which is pretty impressive dividend growth.

First National, which serves the non-bank mortgage market in Canada, is also under pressure this year as investors shun Canadian alternative lenders on concerns that the country's overheated housing market might crash.

As a result, First National shares have declined about 11% during the past year. But on a shorter horizon, the stock has started to rebound, gaining about 5% to \$26.71 a share as housing-related worries subside with no sign of hard landing.

Which stock is better?

I think both Altagas and First National stocks are trading at quite attractive levels for investors who want to take long-term positions. But I see more downside risk for Altagas stock as the regulatory approval for its WGL acquisition approaches. So, investors are better off waiting for a more opportune time for Altagas.

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TICKERS GLOBAL

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2. TSX:FN (First National Financial Corporation)

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