Attention Retirees: 2 Oversold Monthly Income Stocks Yielding 5-7.5%

Description

Pensioners used to rely on GICs for income, but low interest rates have forced investors to search for alternative ways to boost the income they get from their savings portfolios.

One strategy involves owning high-yield stocks that pay distributions on a monthly basis.

Let's take a look **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Altagas Ltd.** (TSX:ALA) to see why they might be interesting picks today.

RioCan

RioCan operates about 300 shopping malls across Canada. At first glance, that might not appear to be a great business these days, given the troubles faced by some of the major department stores.

It's true that the retail world is undergoing changes, and some segments are being impacted by online competition.

However, RioCan's tenant portfolio is diversified, with no single company representing more than 5% of revenue. In addition, demand remains strong for the firm's retail locations.

Committed occupancy in Q2 2017 came in at 96.7%, which was up from 95.1% in the same period last year. Retention rates rose from 91.6% to 93.9%, and the company's average rent increase on renewals increased to 4.7% compared to 3.3% the previous year.

RioCan's development program includes a plan to build up to 10,000 residential units at its top urban locations over the next decade. If the concept takes off, investors could see a nice boost to cash flow in the coming years.

To help finance the developments in the company's high-growth areas, RioCan will sell approximately 100 properties located in secondary markets. The company expects to generate $1.5 billion in net proceeds from the sales, which should take place over the next two or three years.

RioCan’s current distribution provides a yield of 5.75%.

Altagas

Altagas owns utility, power, and gas assets in Canada and the United States.

The stock is down this year due to investor concerns about the company’s $8.4 billion purchase of WGL Holdings. Altagas plans to sell non-core assets to cover part of the purchase, but the market is not convinced the company will get the prices it wants for the assets.

Altagas expects to close the WGL deal next year and is targeting dividend growth of at least 8% per year for 2019-2021 after the new assets are integrated into the portfolio.

In the meantime, the existing businesses are performing well. Altagas reported strong Q3 2017 results and just raised the dividend by 4.3%.

The new monthly payout of $0.1825 per share provides an annualized yield of 7.5%.

Is one more attractive?

Both companies provide above-average distributions that should be safe.

At this point, Altagas likely offers better dividend-growth prospects in the medium term, so I would probably make the energy infrastructure company the first choice.

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