



Retirees: 2 High-Yield Dividend Stocks With Growing Payouts

Description

Pensioners are searching for high-yield dividend stocks to help boost their [retirement](#) income.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **AltaGas Ltd.** ([TSX:ALA](#)) to see if they might be right for your portfolio today.

TransCanada

TransCanada reported first-quarter 2018 net income of \$0.83 per share compared to \$0.74 per share in the same period last year, driven by contributions from \$7 billion in new assets that went into service over the previous 12 months. This helped offset revenue lost due to the disposition of the company's U.S. northeast power assets.

Going forward, the situation looks good for TransCanada's investors. The company is working through \$21 billion in near-term projects that should be completed through 2021. TransCanada expects \$11 billion to go into service in 2018.

As a result, revenue and cash flow should increase enough to support annual dividend growth of at least 8% through 2021, according to the Q1 report.

In addition, TransCanada is looking at \$20 billion in longer-term developments, including Keystone XL, Coastal GasLink, and the Bruce Power life extension. A go-ahead decision on any of these projects could lead to an upward revision of the dividend-growth guidance.

The stock is down over the past six months amid the broader selloff in the energy infrastructure sector. Investors who buy TransCanada today can pick up a [yield](#) of 5%.

AltaGas

AltaGas owns gas, power, and utility businesses in Canada and the United States.

The stock is down considerably in the past year due to investor concern over the \$8.3 billion

acquisition of Washington-based **WGL Holdings**. The market is worried AltaGas might not be able to sell non-core assets at attractive enough prices to cover a bridge loan taken out to get the deal done.

Management is convinced everything will go according to plan, so investors have to decide where they stand.

The company's existing assets are performing well, and organic development projects are coming in on schedule and under budget, including the Townsend and North Pine projects, which went into service in late 2017. AltaGas is also making good progress on its Ridley Island propane export terminal.

Management raised the dividend by 4% last fall, so there can't be too much concern about cash flow going forward. In fact, AltaGas has indicated it could raise the distribution 8% per year for 2019-2021, once the WGL purchase is complete.

The current payout looks sustainable, and the pullback in the stock means new investors are now getting an 8.5% yield.

The bottom line

Both TransCanada and AltaGas offer above-average yields and payouts that are growing. Additional volatility should be expected in the near term, but the pullback in both stocks might be overdone at this point. If you have some cash sitting on the sidelines, an equal investment in the two companies would provide a nice 6.75% yield.

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Author

aswalker

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