Retirees: Get Safe Income Here, and No, it’s Not From Banks

Description

Many retirees hold the big Canadian banks for their safety and dividends. The banks are excellent core holdings that offer dividend yields of 3.4-4.4%. Here are some dividend stocks that can add some diversity to your portfolio, while offering nice income.

Take your pick, but don’t buy them all because they’re in the same industry and would likely move in tandem with each other. Here are the stocks in no particular order.

Inter Pipeline (TSX:IPL) offers a juicy dividend yield of close to 6.8% at about $24.80 per share. However, you probably won’t get much excitement out of its stock price in the near term.

That’s because its major investment of $3.5 billion in Canada’s first integrated propane dehydrogenation and polypropylene complex won’t be commercially operational (and start generating value for shareholders) until 2021. However, when it does, the facility is estimated to earn roughly $450-500 million per year in long-term average annual EBITDA.

Inter Pipeline has increased its dividend per share for nine consecutive years. Its three-year dividend-growth rate is 7.3%. Its monthly dividend is 3.7% higher than it was a year ago.

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Oil pipes in an oil field
Image source: Getty Images.

Pembina Pipeline (TSX:PPL)(NYSE:PBA) offers a full spectrum of midstream and marketing services for its energy customers. It has gas-gathering and -processing facilities and an oil and gas liquids infrastructure and logistics business.

Pembina Pipeline has a track record of delivering projects on time and on budget without forgoing safety. It currently has about $1.8 billion of secured projects that are expected to come online this year through 2020. Additionally, it has about $3.5 billion of other projects that are in the works.

Pembina Pipeline has increased its dividend per share for six consecutive years. Its three-yeardividend-growth rate is 5.9%. Its monthly dividend is 11.8% higher than it was a year ago.

At about $46.15 per share as of writing, Pembina Pipeline offers a safe 4.9% yield. This year the company expects to pay out about 85% of its fee-based distributable cash flow, and the standard payout ratio is lower at 55-60%.

Keyera (TSX:KEY) is a midstream energy infrastructure company. It provides natural gas liquids gathering and processing, fractionation, storage, transportation, logistics, and marketing services in the WCSB.

Keyera has increased its dividend per share for seven consecutive years. Its three-year dividend-growth rate is 9.4%. Its monthly dividend is 7.1% higher than it was a year ago. At about $37.60 per share as of writing, Keyera offers a yield of nearly 4.8% yield.

Investor takeaway

Retirees should consider these energy infrastructure stocks, which look reasonably valued, for income. Inter Pipeline offers the biggest yield, but its near-term growth may be slow, as signified by its slower recent dividend growth.

Investigate each of the companies carefully and decide on the best one that fits your portfolio. For a bigger margin of safety, look for a dip of at least 8% before considering these stocks.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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2. TSX:KEY (Keyera Corp.)
3. TSX:PPL (Pembina Pipeline Corporation)

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Date

2025/08/06
Date Created
2018/08/22
Author
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