Create Massive Value for Your RRSP With These 2 Dividend Stocks

Description

As interest rates keep rising, there is a valid argument to be made that investors should stay away from dividend-paying stocks that act as bond proxies.

But it's currently still very difficult to buy a bond that is yielding above some of the dividend yields that certain utility stocks are trading at.

So if we stick to those stocks with dividend yields that are high and growing and those companies with relative certainty of future cash flows, then we should do well.

Consider the following two stocks that fit the bill.

They are both utility stocks, which bring the everyday necessities of electric power, gas-fired power, and more, to consumers whose needs for these basic necessities are pretty reliable and predictable.

These companies therefore have reliable and predictable income streams that are pretty much immune to economic cycle highs and lows.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA)

Pembina is a pipeline and midstream company whose stock is currently yielding an attractive 5.17%.

This dividend has been increased annually by approximately 5%, so investors also get good dividend growth with this stock.

While the payout ratio was elevated a couple of years ago, the company has and will continue to get it down to more comfortable levels in the next few years due to strong performance by the company's premium assets as well as attractive investment opportunities.

Pembina's dividend coverage is strong, debt leverage is low and need for capital form the equity markets is low, thereby making it a top pick for RRSP investors.

Keyera Corp. (TSX:KEY)

Keyera is one of the largest natural gas downstream businesses in Canada, with an extensive footprint in the natural gas liquids business.

With a dividend yield of 6.23%, a stock price that has fallen 10% year-to-date, and an increasingly bullish forecast for the Canadian natural gas industry, Keyera is a low risk way to get that dividend income as well as upside potential.

In its latest quarter, the company saw an increase of 18% in its cash flow from operations and a 7% increase in its cash flow per share.

The dividend was increased 5.7% in 2017, and is expected to be increased by more than 7% in 2018.

Its payout ratio remains in the mid 60% range and its net debt to total capitalization has crept up a bit to the 50% range.

In summary, I think it is fair to say that for long-term investors these two dividend stocks will provide long-term value in the form of dividend income and capital gains.

Safe and reliable.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/21
Date Created

2018/11/17

Author

karenjennifer