



Dividend Investors: Lock In This 10.1% Yield Before November 30

Description

Every now and again, an interesting income investment comes along, something so compelling it just can't be ignored.

This current situation is even more pressing than usual, since it comes with a deadline. If you don't act now, you will miss out on this opportunity. There are no second chances here. Once it's gone, it's gone.

Here's why you need to act today and buy shares of **First National Financial** ([TSX:FN](#)) before November 30.

A special opportunity

First National is one of Canada's largest non-bank mortgage lenders. It works specifically with mortgage brokers, which allows it to lend out billions each year without a large network of physical branches. This creates substantial savings, which are then passed on to consumers in the form of lower rates.

Rather than funding mortgages from deposits, like many other banks do, First National uses a number of different sources. It mainly accesses institutional capital — sources like pension plans and insurance companies — that is looking for ultra-safe investments. Since virtually all of the company's loans are insured against borrower default, these mortgages are virtually risk-free. First National also uses government programs to securitize some of their loans as well as funds some from internal earnings.

The company then makes money either on the interest spread between borrowing costs and lending costs or from servicing loans that have been sold.

First National is consistently profitable, and it pays investors a good dividend — a payout that just got even better.

The company recently announced it will pay a \$1 per share special dividend to shareholders of record as of November 30. Combine this with the company's already generous payout — which was just

raised to \$1.90 each year on a per-share basis — and we have a very special situation on our hands. The stock will pay out \$2.90 over the next year. The share price as I write this is \$28.60. That gives investors the opportunity to lock in a 10.1% yield.

This isn't the first year the company has paid out a special dividend, either. It paid out \$1.25 per share at this point last year. This means investors who bought shares a year ago would have a 14.4% annual return from dividends alone.

I bet there are a few income investors who like the sound of that.

A company that pays a special dividend is sending a powerful message to the market. It's confident business will continue to boom. An extra cash cushion simply isn't needed. And perhaps most importantly for income investors, it tells them loud and clear the regular dividend is safe.

One look at First National's earnings confirms it. Over the last 12 months, the company posted \$2.85 per share in net profit. It paid \$1.85 per share in dividends. That gives it a payout ratio of just over 60%, which is quite low for a stock with a current yield of 6.6%.

The bottom line

First National has long been one of Canada's top dividend stocks, despite not getting much attention from a market obsessed with our banks. It has raised its dividend over time, while becoming a true powerhouse in the mortgage sector. Now is the perfect opportunity to own this terrific stock and lock in a fantastic forward yield. Don't delay; this opportunity will be gone in just a few short days.

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