Looking for Retirement Income? Invest in These 2 Stocks Yielding as High as 8.8%

Description

These days of unrelenting downward stock market pressure have woken investors up to a new reality.

Easy money is no more, risks are real and will be priced into stocks, and being defensive will win the day.

But the flip-side to all this weakness is that more and more opportunities will be unearthed in this carnage, presenting investors with value investing opportunities.

Here are two solid dividend stocks that investors should consider for nice additions to their retirement income now and in the future.

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

Pembina is a pipeline and midstream company whose stock is currently yielding an attractive 5.48%. This dividend has been increased annually by approximately 5%, so investors also get good dividend growth with this stock.

While the payout ratio got elevated a couple of years ago, the company 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, its payout ratio is 50% of cash flow, and its need for capital from the equity markets is low, yet the stock has fallen 8% in the last year, making it a top pick for RRSP investors.

Inter Pipeline (TSX:IPL)

Inter Pipeline is an energy infrastructure company that owns and operates oil pipelines, storage facilities, and natural gas liquid processing facilities.

With a dividend currently yielding 8.86%, the company is benefiting from strong natural gas liquids processing, and as such, its dividend was increased again at its latest results announcement.

The company has a strong history of dividend growth and stability, with 14 years of dividend increases and a five-year CAGR of 9%.

The payout ratio on funds from operations is a healthy 70%, the company has a significant of its revenues under long-term contracts, and latest results came in above expectations, so things are going well for this company.

Yet the stock has fallen 25% from year-ago levels, and this is the opportunity.

Final thoughts

The biggest concern for all these names is their heavily indebted capital structure, which is part of their business strategy, so it has been fine, until interest rates start rising as they are now, and it becomes a challenge.

But I think the fact that these companies' businesses are stable and economically insensitive balance this risk, making them solid picks for steady, reliable, and growing retirement income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
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Author
karenjennifer