Retirees: Give Yourself a Raise in 2019 With These 3 Monthly Dividend Studs

Description

Many analysts think retirees need to stick with the safest dividend stocks, sacrificing yield for principal protection.

I firmly disagree. Just look at this latest stock market rout. It isn't just the high-yield part of the market that's been crushed. Everything has been impacted. Besides, most of these companies continue to pay shareholders dependably, and the few exceptions were easily spotted months ago.

There are dozens of great Canadian stocks that pay dividends of 5%, 6%, or even 8%, companies that not only have a demonstrated history of paying great yields, but that are also growing nicely. Yes, retirees, you can have your cake and eat it too.

Here are three Canadian monthly dividend stocks, all with a current yield of at least 5.6%.

First National

Operating largely under the radar, **First National Financial** (TSX:FN) has quietly grown into Canada's sixth-largest mortgage lender with more than $100 billion worth of loans under management.

The company is able to do this without having a large coast-to-coast branch network, because it works exclusively with mortgage brokers. It can keep costs low — savings it passes on to customers. First National consistently has some of the lowest rates out there, a feature that helps it attract new homeowners and retain borrowers when it comes time to renew the loan.

Tougher mortgage rules and a tightening housing market has made things a little more challenging for the company, but it's still posting solid growth. Mortgages under administration increased 5% over the last year, and First National's revenue increased more than 13% in its most recent quarter versus the same period last year.

First National pays a 6.9% dividend, a payout easily covered by earnings. And that doesn't include the special dividends the company has paid out each of the last two years.

Inter Pipeline

Inter Pipeline (TSX:IPL) is a solid operator taking the energy sector's decline squarely on the chin.

The company's oil sands pipelines — which only operate at about 50% of capacity today — continue to generate steady cash flow while having upside potential when new projects come online in the region. Its other assets include conventional oil pipelines, natural gas processing, and bulk storage. Management has also recently announced a massive new chemicals plant, a $3.5 billion project projected to add some $500 million to earnings before interest, taxes, and depreciation.

Shares currently yield a robust 8.5% — a payout that looks like it may be in jeopardy. Nothing could be further from the truth. The dividend is approximately 60% of funds from operations, and the company actually hiked its payout in 2018. In fact, it has increased the dividend each year since 2009, with a compound average growth rate of more than 7% annually.

Smart REIT

SmartCentres REIT (TSX:SRU.UN) has leveraged its relationship with **Walmart** Canada into a real estate empire.

Smart has 157 different properties spread out from coast to coast in Canada, with approximately 110 of them anchored by a Walmart store. Since Walmart attracts a tonne of foot traffic, other retailers then snap up the remaining space. This translates into one of the best occupancy rates out there, currently at 98%.

Like many other leading REITs, SmartCentres will focus on redeveloping some of its properties into mixed-use facilities over the next decade, which should lead to some solid growth. Management sees the potential to add about 20 million square feet onto 70 properties over the long term.

Smart has a solid balance sheet with a low 44% debt-to-assets ratio. Most REITs aim for a 50% debt-to-assets ratio, with some even creeping as high as 55-60%. This flexibility will serve it well going forward.

In the meantime, investors are collecting a fine 5.6% yield — a payout that has grown each year since 2013.

The bottom line

A mini portfolio of just Smart REIT, Inter Pipeline, and First National would yield approximately 7% with historical dividend increases greater than the rate of inflation. These are great companies that own terrific assets, which is exactly what all of us should be looking to own. Retirees, take notice.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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