TFSA Alert: 3 High-Yield Dividend Stocks to Boost Retirement Income

Description

Canadian retirees are using their self-directed TFSAs to build high-yield portfolios that can provide steady income to complement their government and company pension payments.

Let's take a look at three dividend stocks that might be interesting picks today.

Inter Pipeline (TSX:IPL)

IPL owns and operates oil sands pipelines, conventional oil pipelines, natural gas liquids (NGL) processing facilities in Canada, and a liquids storage business in Europe.

The company grows through timely acquisitions and organic developments. Recent moves include the purchase of two NGL sites during the latest oil rout and the construction of the $3.5 billion Heartland Petrochemical Complex. The NGL facilities have benefited from a rebound in market prices and the Heartland development is expected to generate at least $450 million in annual EBITDA beginning in late 2021.

Inter Pipeline currently offers a dividend yield of 8%.

That's in the range where investors normally have to be careful, as it often signals the market is pricing in a potential cut. While anything can happen, IPL's payout should be safe, and investors might even see another increase later this year.

Funds from operations in 2018 hit a record $1.1 billion, representing a 10% increase over the previous year. Net income rose 12%, and the company raised the dividend for the 10th straight year. The annualized payout ratio was 60%, so there should be adequate coverage for the existing distribution, even if the market hits a rough patch in 2019.

Assuming the positive momentum continues, IPL should give investors another raise in the fourth quarter.

Power Financial (TSX:PWF)

Power Financial is a holding company with Canadian assets that include insurance, wealth management, and asset management businesses. The business also has a stake in a European firm that owns positions in some of Europe's top global companies.

The stock fell last year amid the broad-based drop in the financial sector, and while it has bounced more than 10% in the past two months, additional gains should be on the way.

The company raised the dividend by 5% last year and a similar increase should be on the way for 2019, supported by ongoing strength in the Canadian operations. Adjusted net earnings through the first nine months of 2018 were $2.55 per share compared to $2.22 in 2017.

Investors who buy today can pick up a yield of 6%.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge might be the turnaround story for 2019.

The company spent the past 12 months cleaning up its balance sheet and simplifying the business structure. That's good news for investors, as it ensures the safety of the generous distribution and makes life easier for analysts who want to evaluate the company's operations.

Management is wrapping up a $22 billion capital program that supported the 10% dividend increase in 2019 and should result in a similar hike for 2020. Smaller organic growth opportunities are on the drawing board across the asset base and dividends should continue to increase in step with expected distributable cash flow growth of 5-7% per year.

Enbridge primarily owns and operates regulated businesses after the recent dispositions, and that should mean reliable and predictable revenue streams going forward.

The stock isn't as cheap as it was last spring but still appears reasonably priced and offers a 6% dividend yield.

The bottom line

IPL, Power Financial, and Enbridge all offer above-average dividends that should continue to grow. An equal investment in all three stocks would provide an average yield of about 6.7% today.

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