3 Top TSX 8% Yielders Ranked by Dividend Safety

Description

You want to give yourself a raise by opting for securities with higher upfront yields. That's great! But before you immediately jump into the deep end by choosing the fattest dividend, you should pay careful attention to a company's dividend safety net and its ability to support (or raise) its distribution both over a medium- and long-term time horizon.

Here are three stocks yielding north of 7% ranked from good to best in terms of dividend stability and growth potential.

Inter Pipeline (TSX:IPL)

With a 7.9% dividend yield, Inter Pipeline is one of the most bountiful income-paying names out there if you're looking to take a contrarian position in the ailing energy transportation industry.

With a dividend-payout ratio of 110.1%, the company has limited financial flexibility, but given the promising track record of dividend growth over the past decade, I believe it is shareholder friendly and will do everything in its power to keep the dividend static at the very least, in spite of recent issues.

The name isn't in dire financial health, but it's not in bad shape either with its 1.11 debt-to-equity ratio. If you can stomach the volatility, Inter Pipeline may be a smart bet that'll allow you to lock in a growing 7.9% yield to go with ample capital gains should the oil and gas industry begin to see some relief.

TransAlta Renewables (TSX:RNW)

For the runner-up, we have TransAlta Renewables, with its 7.6% dividend yield. Yes, I know I promised you stock with yields north of the 8% mark, but just a few months ago, the stock sported a yield well above this mark.

Now that the stock has surged 26% from its December bottom, however, the stock slightly less bountiful, but it is still a heck of a pick for those who value a more predictable long-term dividend-growth profile. Back in January, I was pounding the table on TransAlta Renewables when the yield was at 8.3%, touting the company's robust portfolio of green projects, its above-average growth profile, and its relatively conservative payout ratio.

Today, the price of admission is much higher (15.5 forward P/E), but I still think dividend hunters will be able to get the raise they want with the same peace of mind they would have got a few months ago. The stock is still slightly cheap, although near-term capital gain expectations should be tempered over the next year.

Inovalis REIT (TSX:INO.UN)

Here's the champ. Inovalis REIT, a small-cap trust that manages a portfolio of properties across the French and German markets. With a sky-high yield of 8.23% and a means to grow this distribution further in the years ahead due to the company's higher agility, I think income investors are getting the optimal blend of dividend sustainability, growth, and value at today's levels.

Indeed, Inovalis is an outlier, with shares yielding north of 8%, while its shares are down no more than 5% from its all-time high. As an underrated REIT with a solid plan moving forward, I think Inovalis is a rare bargain for those seeking to give themselves a raise but are not interested in taking on more risk or less growth.

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TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:RNW (TransAlta Renewables)

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