Want to Earn More Money? Buy and Hold These Dividend Stocks Yielding Up to 7.7%

Description

Who doesn't like passive income? Make your money work for you by buying dividend stocks. Dividends not only supplement your income, but dividend-paying stocks have also historically outperformed non-dividend paying companies.

When choosing dividend stocks, you'll likely go for high-yield stocks, but they're only worthwhile if the underlying companies look strong enough to be able to support the dividend payout and yield. Here are three such high-yield stocks that should earn you well.

Inter Pipeline Ltd (TSX:IPL)

Inter Pipeline is among Canada's largest energy infrastructure companies that transports, stores, and processes petroleum and natural gas liquids.

Inter Pipeline pays a monthly dividend with an incredibly strong dividend history: it has distributed nearly $5.3 billion in dividends since inception and increased its dividend every for 10 consecutive years now. Its absolute annual dividend amount has doubled over the period.

Between 2014 and 2019, Inter Pipeline's dividends would've grown at a compound annual rate of 5.3%. That's commendable for a commodity-based business, and the company has been able to pull it off thanks to heavy reliance on fee-based and cost-of-service cash flows.

In 2018, Inter Pipeline's funds from operations hit a record high of $1.1 billion, positioning it well to hike dividends year after year. Steady mid-to-high single-digit dividend growth and a hefty yield of 7.7% make Inter Pipeline a great dividend stock to own.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

Canadian Imperial Bank of Commerce (CIBC) is one of the "Big Five" Canadian banks, but it also has the highest exposure to Canada’s housing market given the large size of its domestic operations versus international.

Yet, CIBC has a strong asset base, a comfortable capital ratio and has consistently generated double-digit returns on equity. Moreover, the bank has survived many storms over the years. CIBC has not missed a single dividend payment since 1868 (yes, the company is that old) and has grown its dividend at a compound annual rate of 4.9% in the past 15 years.

CIBC aims to maintain a comfortable dividend payout of 40-50%, grow annual earnings per share by 5-10% and earn at least 15% returns on equity in the medium term.

These goals, coupled with CIBC’s strong dividend track record, indicate that the bank’s dividends are safe. Investors can expect dividends to grow over time while enjoying a dividend yield of 5.3%.

Chorus Aviation Inc. (TSX:CHR)

Chorus Aviation is primarily into aircraft leasing services and provides contract flying for **Air Canada**.

Earlier this year, Chorus extended its capacity purchase agreement with Air Canada by 10 years through 2035. It also recently added one of India’s leading airlines, SpiceJet, to its customer base, having struck a deal to deliver five Bombardier Q400 aircraft on a sale and leaseback basis.

With that, Chorus’ third-party aircraft-leasing business, Chorus Aviation Capital’s (CAC), portfolio has grown to 45 aircraft worth nearly US$960 million.

These deals, especially with Air Canada, should generate enough cash flows for Chorus to support dividends. A free-cash-flow payout well below 50% already leaves enough room for the company to pay regular dividends. Chorus currently pays a fixed monthly dividend of $0.04 per share and yields 6.7%.

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2. TSX:CHR (Chorus Aviation Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)

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