3 Great Investments That Will Provide You With Monthly Income

Description

I usually caution investors against picking stocks simply based on the timing frequency of the dividend payout. There are cases however, where looking for monthly income stocks makes sense. Investors looking to supplement monthly income with dividends are justified in their desire for a reliable and frequent income stream.

It can be difficult to find reliable monthly dividend payers. I define *reliable* to include a dividend that is safe and growing. As such, a good starting point are the monthly dividend payers who have achieved Canadian Dividend Aristocrat status, that is, companies with a history of growing dividends for five or more consecutive years. Likewise, if you have an interest in supplementing income, the company's yield will also be of importance.

With that in mind, here are three monthly income stocks with a high yield for your consideration.

Inter Pipeline (TSX:IPL)

Inter Pipeline is a midstream energy company engaged in the transportation, storage and processing of oil and natural gas. The company is well diversified with assets in Canada and across Europe. It is also building one of the country's first integrated polypropylene complexes.

At first glance, its 7.73% yield does not look sustainable based on its payout ratio. It is currently paying out 110% of earnings in dividends. The important point to remember, however, is that earnings include several non-cash items that have no bearing on a company's ability to pay a dividend. It's therefore best to look at cash flow.

In 2018, the company generated a record $1.1 billion in funds from operations (FFO). It has grown FFO at an average rate of 11.8% over the past five years. Dividends account for only 60% of FFO and are almost entirely covered by stable fee-based cash flow. Inter Pipeline also has a 10-year history of dividend growth.

Exchange Income Corp (TSX:EIF)

Exchange Income is an aerospace and aviation services and equipment company. It provides charter services and emergency medical services to communities across Canada. The company has an eight-year dividend growth streak and currently yields 6.62%.

Once again, the safety of the dividend is best compared against cash flow. Through the first three months of 2018, dividends accounted for only 68% of free cash flow less maintenance capital expenditures. The dividend is well covered, and cash flow has been growing by double digits, which should lead to continued dividend growth.

Brookfield Real Estate Services (TSX:BRE)

Brookfield Real Estate, which now operates under the Bridgemarq brand, provides information, tools and services to those in the real estate industry. It services a network of more than 18,000 realtors operating under the Royal LePage, Via Capitale and Johnston & Daniel brands.

In 2019, the company achieved Dividend Aristocrat status after having raised dividends for five consecutive years. As of writing, the company yield's a hefty 7.98% and despite its high yield, the dividend appears to be sustainable. Its payout ratio as a percentage of cash from operations is sitting at approximately 56.7%.

There is however, a word of caution with Bridgemarq. The company has undergone some changes; the way it collects fees and pays management fees to its parent company has changed. It's too early to tell how big on an impact this will have on cash flow, but it's worth keeping an eye on. As such, there is a higher degree of risk with the safety of Bridgemarq's dividend.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BRE (Bridgemarq Real Estate Services Inc.)
2. TSX:EIF (Exchange Income Corporation)

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