



Collect Passive Income With These 2 Dividend Kings

Description

The easiest route passive-income seekers take to [generate extra income](#) to augment regular income is through dividend stocks. The same type of stocks is appealing to would-be retirees wanting to get a head start.

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is perhaps the premium choice by many because it pays monthly dividends. The next best choice is another company belonging in the oil and gas midstream industry. **Inter Pipeline** (TSX:IPL) also has the attributes of a dividend king.

A top pick through the years

Pembina Pipeline is among the [solid investments](#) on the TSX. The midstream energy stock has established a good name in the industry. If there are a utility grade and smooth operators, the 60-year-old company is at the forefront. Retirees and other investors rely on the monthly dividend income to cover day-to-day expenses.

These investors can easily budget the dividend earned vis-a-vis living expenses. The \$8.3 billion company is paying nearly 5% dividend yield. For the last five years, the average dividend yield is 4.7%. Long-time and loyal investors can confirm the generous earnings derived over the years.

But would-be investors are advised to evaluate Pembina on the basis of performance and not just because the stock is a high-yield dividend stock. Midstream operators benefit from sound economics, particularly the continued global demand for oil.

Midstream companies are also less exposed to commodity price risk compared with energy companies operating on the exploration side. That is evident in growing profitability in the last three years.

A greater majority of Pembina's profits is derived from fee-based revenue and is therefore predictable and more stable as opposed to non-fee revenue. In 2018, net income rose to \$1.278 billion, which represents a 44.7% increase from the previous year.

You're investing in a pure-play energy infrastructure company that has substantial size and scale. The company can reward investors with market-beating and outsized total returns. For the last decade, the annual compound growth rate is 19%.

A worthy alternative

Another familiar name in the energy industry and well-known for paying exceptional dividends is Inter Pipeline. Although the size is just one-third of Pembina, the company is a good source of dividend income. The current dividend yield is above 8%, which is massive by any standards.

Inter Pipeline has raised the dividend for 10 straight years which is a sign the \$8.36 billion company is taking good care of investors. Just like Pembina, dividends are paid out monthly. Again, retirees or other individual investors are at ease when it comes to budgeting.

This time around, you're investing in a low-risk business model, which is Inter Pipeline's main competitive advantage. Most of the contracts are long-term and commodity-shielded with inflation factored in. Further, 80% of the clients are credit-worthy and investment grade.

Inter Pipeline is presently developing the first-ever integrated propane dehydrogenation and polypropylene complex in Canada. This will be the fifth business segment that will boost revenue for years to come.

CATEGORY

- 1. Dividend Stocks
- 2. Energy Stocks
- 3. Investing

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