2 Stocks Yielding 8-10% for Your Income Portfolio Today

Description

Retirees and other income investors are constantly searching for dividend stocks that pay reliable distributions that offer above-average yield.

Buying stocks with yields above 7% can come with risks, as the depressed share price often indicates the market is anticipating a distribution cut at some point. However, there are situations where a stock might be out of favour due to a general dislike for the sector, despite the company's relatively strong underlying business and ability to maintain the payout.

Let's take a look at **Inter Pipeline** (TSX:IPL) and **Vermilion Energy** (TSX:VET)(NYSE:VET) to see if one deserves to be on your buy list right now.

IPL

IPL is a niche player in the Canadian midstream market with oil sands and conventional oil pipelines as well as natural gas extraction facilities. The company also owns a growing liquids storage businesses in Europe.

Management does a good job of identifying strategic acquisitions when the market is weak, as we saw when IPL purchased two NGL sites and related infrastructure for $1.35 billion in 2016. IPL bought the assets at a significant discount to their construction cost and reaped the benefits last year when market conditions improved.

The purchase also came with plans for a polypropylene plant. IPL decided to give the $3.5 billion project the green light and expects the Heartland Petrochemical Complex to be in service by the end of 2021. This should add average annual EBITDA of at least $450 million.

IPL has increased the dividend for 10 straight years. The Q1 2019 payout ratio was 82%, so there is ample cash flow to cover the dividend. At the current stock price investors can pick up an 8.4% yield.

Vermilion Energy

Vermilion raised its monthly dividend to $0.23 last year and currently provides an annualized yield of close to 10%. The company is an interesting beast in the Canadian energy sector with oil and gas production assets located in Canada, the United States, France, Germany, Ireland, the Netherlands, and offshore Australia.

The international operations can sell production at higher global Brent oil and natural gas prices. The payout ratio exceeded 100% in Q1 2019, so investors will have to keep an eye on the cash flow situation going forward.

However, in the Q1 earnings report, the company said its capital program and dividend should be fully funded through operational cash flow this year with an anticipated full-year 2019 payout ratio of about 90%. The Q2 report should provide better guidance on the 2019 situation.

The stock has strong upside potential on an improvement in energy prices. Vermilion trades at $27.50 per share today compared to $78 when oil was at its peak five years ago.

Is one a better bet?

IPL and Vermilion should be able to sustain their distributions in the near term. That said, I would probably make IPL the first choice today. It is less reliant on commodity prices, and the dividend is more likely to survive in the event we see another extended dip in oil prices.

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