Alert: 2 Safe and Cheap Dividend Payers Yielding Up to 6.3%

Description

Any investor can use some extra cash. Immediately, you can generate a powerful income stream from these undervalued dividend stocks. Not only will you get juicy but safe yields of up to 6.3%, but history indicates that you'll also get decent price appreciation and income growth well into the future.

Without further ado, here are the stocks I recommend that you seriously consider buying today.

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Bank of Nova Scotia yields 4.9%

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) generates about half of its earnings from Canada, which acts as a stabilizer for the business. On top of that, it has evolved to be Canada's most international bank with a sizeable position in the higher-growth Pacific Alliance countries.

The stock is more sensitive to the volatility of commodity prices than its big Canadian banking peers, which is why BNS stock trades at a bigger discount than most of its peers.

At $71.35 per share as of writing, Scotiabank trades at a price-to-earnings ratio of about 10, a discount of 15% from its fair value. The lower stock price has lifted the bank's yield to 4.9% compared to the five-year average of 4.1%.

It's a fabulous opportunity to lock in a safe and high yield from BNS stock and expect price appreciation of more than 18% when the valuation reverts to the mean. BNS's dividend is sustained by a payout ratio of less than 50%, which aligns with the other big banks. Furthermore, investors can expect dividend growth of about 6% per year.

Enbridge yields 6.3%

Enbridge (TSX:ENB)(NYSE:ENB) is the largest energy infrastructure company in North America, which means that its critical infrastructure assets are essential when it comes to transporting a lot of the oil and natural gas on the continent.

Delightedly, the company's EBITDA (a cash flow proxy) is not sensitive to the volatile prices of the commodities it transports. Its EBITDA has remained stable or growing since 2008, through the last financial crisis and the commodity price collapse. This results in a secure dividend when combined with a safe payout ratio, which was 54% of distributable cash flow in the first quarter.

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The recent dip from the $50s per share level is a good opportunity for investors to lock in a yield of 6.3%, which is much higher than ENB stock's five-year average of 4.2%.

At under $47 per share as of writing, ENB stock trades at a 13% discount from the mean 12-month target of **Thomson Reuters**. Going forward, investors can expect the wide-moat company's fair value estimate to steadily rise. Enbridge's dividend is also set to increase by about 10% next year and likely 5-7% per year after that.

Foolish takeaway

You can get market-beating income immediately by investing in Scotiabank and Enbridge. Both stocks are trading at decent discounts and offer safe yields of 4.9% and 6.3%, respectively.

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