TFSA Investors: 3 Ultra-Safe Dividends Paying up to 6.2%

Description

With U.S. (and Canadian) stock markets bumping up against all-time highs, it might be time to go a little more conservative in your portfolio.

I've never had much success trying to time the market, but there's nothing wrong with going a little conservative. High-quality so-called boring stocks can still perform admirably over time, all without the risk of huge draw-downs in the next recession. There's a reason why Warren Buffett does this kind of investing — because it works.

The other big advantage to a more conservative approach is these kinds of stocks often pay succulent dividends. Not only is passive income a great way to ensure your financial freedom, but it also gives investors a constant source of new capital — cash that can be put to work in new stocks.

Let's take a closer look at three of Canada's best conservative stocks — companies with solid payouts up to 6.2%.

Smart REIT

I am a big fan of **SmartCentres REIT** (TSX:SRU.UN), which is quietly becoming one of Canada's real estate powerhouses. Its portfolio consists of 34.4 million square feet of gross leasable space, mostly in the retail sector today. But the company has identified numerous expansion opportunities that could really help grow the portfolio.

One example is SmartCentres's big Vaughan Metropolitan Centre project. This development will transform the city's downtown core, adding office space, additional retail shops, and residential apartments. Smart's portion of this will be between 4.5 and 5.5 million square feet of gross leasable area. That alone is enough to make a big difference in the bottom line.

Investors don't need to worry about financing these projects. Smart's balance sheet is one of the bestin the sector. And its existing retail portfolio generates plenty of cash flow that can be applied against growth projects like these ones.

Finally, the stock pays a generous 5.3% yield. It's also combined with a relatively low payout ratio. Investors don't need to worry; this distribution is safe.

Algonquin

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN) is rapidly becoming many investors' favourite utility stock because it combines the steady cash flow of the sector with a smart growth-by-acquisition business plan.

The company's current portfolio looks a little something like this: it owns power, natural gas, and water utilities that serve a combined 770,000 customers, mostly in the United States; it also has a power generation arm that generates 1.5 GW of power annually, mostly fueled by wind.

Both of these divisions have solid growth paths ahead of them. The company is waiting on regulatory approval on a couple utility acquisitions, including one that will allow it to expand into the Caribbean. And it will strategically build or acquire new power plants. In total, it has US$7.5 billion in growth projects planned over the next few years.

Algonquin has raised its dividend each year since 2009. The current payout is US$0.141 per share each quarter — good enough for a 4.7% yield.

Rogers Sugar

There are few sectors more boring than sugar business, which is controlled by just two companies in Canada. And with folks pledging to eat healthier, there isn't much growth in the sector.

But that doesn't mean **Rogers Sugar** (TSX:RSI) stock is a bad investment today. It's essentially a bond at this point, giving investors a generous 6.2% dividend in exchange for very little growth. This kind of low-beta exposure might be just what the doctor ordered if we get a big stock market sell-off.

Rogers does have an interesting maple syrup expansion going on — a sweetener that is a little more positively viewed than sugar. There's ample opportunity to make additional investments in that sector, including expanding on the export business. But don't expect massive growth here; Rogers will likely grow the maple syrup business 2-3% annually. It's not sexy, but it's steady and predictable, which is exactly what dividend investors should want.

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1. Dividend Stocks
2. Investing

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