2 Attractive Canadian Dividend Stocks to Start Your TFSA Retirement Portfolio

Description

Would you like to sit comfortable in the knowledge that you have got your money working for you? With interest rates remaining persistently low, finding an acceptable yield for income is all the more challenging these days. Not only do we want an attractive yield, we also want to receive this without taking on too much risk.

In this article, I would like to discuss two high-yield stocks that are not without risk, but that are compensating investors for this risk, so they therefore have an attractive risk/reward profile.

Freehold Royalties

As a well-diversified, well-capitalized oil and gas royalty play, **Freehold Royalties Ltd.** (TSX:FRU) is the place to go in the Canadian oil and gas space for extra yield without extra risk. This stock is not one to go to for growth or for torque, but it's one that will minimize your risk compared to other energy stocks.

Freehold stock gives investors an 8.4% dividend yield, which equates to $700 of monthly income on a $100,000 investment. If that doesn't sound good enough or if that makes you worried, we can only look to Freehold's visible and steady cash flow to ease these worries.

Looking at Freehold's cash flow performance and company-specific fundamentals, it's clear to me that the stock is not as high-risk as its valuation would suggest and that the negative sentiment on this stock is not warranted.

Freehold generated $129 million in free cash flow in 2018, 29% higher than five years ago, its balance sheet is very high quality, with minimal debt and a low payout ratio of just over 60%.

But we cannot escape the fact that Freehold is part of the Canadian oil and gas sector. This sector is riddled with issues, most of which will take years to resolve. While Freehold will certainly be hit if oiland gas prices weaken, company specific factors mitigate this risk and make for an attractive risk-reward profile on the stock.

NorthWest Healthcare Properties

As a real estate investment trust (REIT) that focuses on healthcare real estate, **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) surely has long-term demographics on its side as well as a very healthy real estate market, with low interest rates and high demand supporting value.

Northwest stock gives investors a 6.82% dividend yield, which equates to $568 of monthly income on a $100,000 investment.

That's quite good, especially given that this dividend has been stable and steady over the years and that it's backed by a strong and growing portfolio of healthcare properties worldwide.

Northwest's portfolio consists of high-quality real estate that represents geographic diversification as well as a range of real estate that encompasses hospitals, medical buildings, and health services real estate.

This portfolio is seeing strong occupancy of 96.8% (98% on the international portfolio), which is representative of the fact that demand for health related real estate is booming as the population ages in the developed world.

While Northwest continues to carry heavy leverage, management is focused on deleveraging and this would act as a catalyst for the stock. Two refinancings of higher-cost debt totalling $300 million were completed this summer at significantly lower interest rates, and management is committed to further reductions in debt, which would fall straight to the bottom line.

Foolish bottom line

Here I have discussed two high-yield dividend plays that are safer than they seem. Both of them are well-positioned to continue to deliver generous income to shareholders and both of them are trading at attractive valuations.

Freehold stock suffers only from the industry it is in, and while Northwest has an elevated debt level for now, industry fundamentals are strong.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/26
Date Created
2019/10/05
Author
karenjennifer