Dividend Alert: This 7.8% Yield Is a Dream for Retired Investors

Description

Retired investors dream of one thing: permanent income. If you're already retired, you're likely banking on your existing savings to last for the rest of your life. While many retirees begin to withdraw from their accounts, every transaction reduces the longevity of your portfolio. But how can you generate income without taking withdrawals?

One of the oldest tricks in the book is to leverage the power of dividend stocks. Dividend-paying companies deliver regular cash income without requiring you to sell stock. Think of them as income-generating machines.

Not all dividend stocks are created equal, however. Some pay dividends of 3%, while others pay dividends of 7% or more. If you invest $100,000, for example, a 3% dividend stock will generate $3,000 in annual income. A 7% dividend stock, for comparison, would generate $7,000 per year in income.

A higher dividend may sound enticing, but they can also be unreliable. After all, what good is a 7% dividend if it's suspended three years down the road? The trick is to find a high-paying dividend stock that can sustain the payout for decades to come. Even better is to find a dividend that is capable of *growing* over time. This increases your annual income with zero effort on your part.

Fortunately, Canada has some of the best dividend stocks in the world capable of generating high levels of sustainable income with the potential for long-term payout growth. One of my favourites is **Inter Pipeline** (TSX:IPL).

Bet on Canada

Inter Pipeline is as Canadian as it gets. Founded in 1997 and based in Calgary, the company is one of the largest employers in Alberta and has more than $5 billion in assets. It mainly owns and operates pipeline infrastructure for conventional and oil sands output, but it also produces income from natural gas processing and bulk liquid storage — ancillary services that complement its main source of income.

Pipelines are a great business to be in. In many ways, they resemble monopolies. When an energy company discovers oil, it’s rarely in an area already connected to transportation infrastructure. So, a pipeline company needs to connect the project to a bigger network so the oil can find its way to refineries and end consumers. Once built, it’s often not economical to build a competing pipeline. This gives pipeline owners monopolistic power over their territory.

If you own a pseudo-monopoly, you don’t have to play by the rules. For example, oil producers are in a commoditized marketplace and are hit hard by pricing volatility. Companies like Inter Pipeline can avoid these fluctuations altogether, as they generate revenue based on volumes, not commodity pricing. More than 80% of Inter Pipeline’s cash flow stems from cost-of-service and fee-based contracts. Even if oil prices dip, cash flow remains solid.

Pick your income

Due to its cash flow stability, Inter Pipeline can afford an impressive 7.8% dividend. If you want to understand the strength of this payout, just look at its history. In 2014, when oil prices were above US$100 per barrel, the company issued $1.32 per share in dividends. Over the past 12 months, even though oil prices have only averaged around US$55 per barrel, Inter Pipeline has paid $1.71 per share in dividends.

This stock really is the best of all worlds. You get a leading dividend rate plus stability and long-term growth. The math is easy: simply multiply how much you want to invest by 7.8% to figure out how much you’ll be earning in annual dividends.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/09/10
Date Created
2019/12/03
Author
rvanzo