TFSA Investors: 3 Dividend Stocks Yielding Up to 12.5%

Description

Looking for a good dividend stock to add to your portfolio? Look no further, as the three stocks listed below can offer investors a little bit of everything: growth, stability, and high dividend yields.

Fortis Inc (TSX:FTS)(NYSE:FTS) is always a popular dividend stock if for no other reason than its track record for raisings payouts. Currently yielding 3.7% per year, the stock already pays investors a good dividend today.

However, for investors who hold the stock for many years, the dividend income will rise over time, increasing the percentage of their initial investment they receive back as a dividend.

Fortis recently increased its dividend from $0.45 to $0.4775, a hike of 6.1%. Five years ago, the stock was paying shareholders a quarterly dividend of just $0.32, meaning that payments have risen by more than 49% since then.

That averages out to a compounded annual growth rate (CAGR) of 8.3%. If the company continues increasing its dividend payments by 6.1%, it will take a little less than 12 years for the payouts to double.

To put that into perspective, a $10,000 investment in Fortis today would earn you about $360 a year in dividends. In 12 years, those payments could be closer to $730, which would mean you'd be earning 7.3% on your original investment.

The longer you hold the stock and the longer the company increases its dividends, the higher that percentage will get. The stock has also done a good job of producing strong returns for investors as well, with Fortis' share price rising around 40% over the past five years.

Dollarama (TSX:DOL) offers investors a much more modest yield of 0.39%, but it too has been raising its dividend payments.

At the beginning of 2015, the stock was paying its shareholders just $0.08 per share every quarter. The stock has since made a one-for-three split and its current payments of $0.044 are the equivalent of

$0.132 from before the share swap.

That means that Dollarama's dividend has risen by 65% during that time.

It's still a very nominal dividend that likely won't attract many dividend investors, but if the company continues raising its dividends at this rate, it could become a formidable option in the future.

But it's sheer growth that makes the retail stock a buy rather than its dividend. Climbing 129% in five years, Dollarama's stock has been one of the better-performing ones on the TSX.

The company has run into challenges this year with its growth rate not being as strong as in recent years, but it's still one of the better stocks to own in the industry.

American Hotel Income Properties REIT (TSX:HOT.UN) offers investors a mammoth dividend yield of 12.5%. Monthly dividend payments of US$0.054 have remained intact even as though the company's share price has fallen by more than 25% in the past two years.

The dividend yield is certainly attractive, but whether it's sustainable is a whole other question.

Although the company has generated a profit in recent quarters, over the trailing 12 months, less than 0.5% of its sales have flowed through to the bottom line.

Low margins and sizeable interest costs have put a lot of pressure on American Hotel's bottom line. From a cash flow perspective, things aren't a whole lot better as the company's free cash flow during the past 12 months has been lower than the dividends it has paid out over the same period.

The monthly dividend could be a great one for investors, but it's not clear how stable it is or how long it may last.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)
4. TSX:HOT.UN (American Hotel Income Properties REIT LP)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/07/05
Date Created
2019/12/10
Author
djagielski