



TFSA Investors: 3 Top Stocks Yielding at Least 7%

Description

Many investors have a simple New Year's resolution in 2020. They want to generate more income.

The easy way to accomplish this is to switch your portfolio from higher-growth stocks to take a value approach, specifically by loading up on some of Canada's [top dividend payers](#). The cash generated by this new portfolio can then be reinvested into new opportunities, stashed in your savings account, or used to help fund your upcoming retirement.

There's also nothing better than having a steady source of passive income — something that can make financial freedom a distinct possibility. Let's face it; escalating stock prices are all fine and good, but those are only paper gains. Dividends represent cold, hard cash.

Let's take a closer look at three of Canada's top high-yield securities — stocks that pay dividends of at least 7%. Each of these names would look great in your TFSA, spinning out oodles of juicy, [tax-free](#) dividends.

Slate Retail REIT

There are few real estate investment trusts (REITs) selling at a lower valuation than **Slate Retail REIT** (TSX:SRT.UN), a company that holds some pretty solid assets. Slate's portfolio consists of close to 80 grocery-anchored retail properties, located in medium-sized U.S. cities, that offer plenty of predictable cash flow.

Yet Slate is one of the cheapest stocks on the entire Toronto Stock Exchange. Shares trade at a discount to book value and at just eight times funds from operations. Most of Slate's competition trades at between 12 times and 16 times funds from operations.

So, what gives? The market has two knocks against Slate Retail. The first is its debt load. It has a debt-to-assets ratio in the 60% range, while most other REITs try to hang out in the 50% range. The other is the external management structure, but this arrangement doesn't come with excessive fees.

Each of these somewhat minor problems has created a situation where investors can get a succulent 8.6% yield with a payout ratio of approximately 70% of funds from operations. It's a fantastic opportunity to load up on shares that offer both a safe distribution and capital gains potential.

Alaris Royalty

Alaris Royalty (TSX:AD) is a specialty finance company that works with medium-sized businesses looking for cash but don't want to access public equity markets. Alaris does this in the form of a special preferred share with a generous distribution — we're talking 12-15% yields here — and a sweetener tied to the business improving.

Sometimes, a few deals will start to go sideways, and a massive buying opportunity will emerge. That's what happened back in 2019, and opportunistic investors got in for under \$20 per share. Things have improved since then, and the company has also helped its own cause by putting more cash to work, further diversifying the portfolio.

The payout is \$0.1375 per share each month, which is good enough for a 7.6% yield. And with a payout ratio of approximately 85% of 2020's projected earnings, investors don't have to worry. The dividend looks to be pretty solid today.

Diversified Royalty

Diversified Royalty ([TSX:DIV](#)) looks to acquire royalties from well-managed franchises and multi-location businesses in North America. These days, after acquiring trademarks from Nurse Next Door, the company has grown to five different royalty assets. It also owns the royalties for Mr. Lube, Sutton Real Estate, the Air Miles brand in Canada and Mr. Mikes.

The company is on the lookout for more acquisition opportunities, going as far as borrowing \$50 million from a major Canadian bank. This debt will have a maturity date of November 30, 2022. It's a prudent move; adding a little debt to the balance sheet should easily goose the bottom line.

Diversified Royalty recently increased its dividend, hiking the annual payout to \$0.23 per share. That's good enough for a 7.4% yield today. The company should be able to slowly increase this dividend over time as it makes further acquisitions, too.

The bottom line

Investors looking for big dividends don't need to look any further than Slate Retail REIT, Alaris Royalty, and Diversified Royalty. Each of these great TSX stocks should be poised to deliver predictable income for years to come.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:DIV (Diversified Royalty Corp.)
3. TSX:SGR.UN (Slate Retail REIT)

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