3 Dividend Stocks Yielding 5% to Boost Your Retirement Income

Description

Many income stocks have seen their dividend yields significantly compress after a strong market performance in 2019. Investors continue to flood into income stocks, since they cannot find any inflation-beating income in bonds. The three stocks below are perfect for a retirement portfolio, as they provide diversity, safety, and a yield of 5% or more. If you were to put $5,000 into each one of these stocks, you would collectively get around $775 a year.

Burgers

First, I want to talk about burgers. I'm not talking about any ordinary burgers. I'm talking about sustainable, hormone-free beef (or meatless, if you like) burgers with names like "Papa," "Teen," and "Mozza." I'm talking about **A&W Revenue Royalties Income Fund** (TSX:AW.UN).

A&W is one of Canada's quintessential restaurant brands with +970 locations across the country. A&W Royalties profits from the A&W brand by garnering a 3% fee direct off the revenue from it's A&W franchises. The fee creates a reasonably predictable monthly cash stream that insulates A&W Royalties from variability in franchise operating expenses and profits.

Over the past 10 years, A&W has maintained strong brand relevance. It has capitalized on consumer trends towards more natural, healthy, and environmentally conscious fast food. An example of this was the successful marketing of the **Beyond Meat** Burger, which helped push 2018 same-store sales up by 9.8%. While you likely can't expect that growth rate every year, A&W Royalty is still growing, and it just added 37 net restaurants in late 2019.

Overall, the consistent royalty stream enables investors to enjoy a juicy 5% distribution yield. This yield should grow nicely by 3-5% every year, as A&W creates innovative new meal options and transfer new locations to A&W Royalties's portfolio.

Pipelines

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a great hold for safety-sensitive income lovers. Whether it be pipelines, midstream services, or processing/storage facilities, Pembina has a diverse portfolio of assets that are essential for the Canadian energy industry. Since it has become increasingly difficult to build new pipelines in Canada, Pembina's pipelines have an assured customer base, with limited competition. 85% of its adjusted EBITDA is generated within secure, long-term contracts. Acting like a toll, Pembina has limited commodity pricing risk, which guarantees stable, consistent cash flow.

Pembina shrewdly acquired the Cochin Pipeline from **Kinder Morgan** in late 2019. This acquisition is expected to be immediately accretive and could create $100 million of adjusted EBITDA through integration synergies alone. In addition, Pembina has over $5.6 billion secured for new infrastructure developments (polypropylene upgraders, pipeline expansions, LNG export terminals), which give it a long (forgive the pun), secure "pipeline" of growth opportunities for the next three to five years.

Pembina pays a dividend yield of 4.96% with a safe payout ratio of 78%. The distribution was increased 5% in January, and investors can expect it to rise, as Pembina creates acquisition synergies and brings new projects into service.

E-commerce

Are you looking for investment exposure to e-commerce but cannot find any stocks that pay a decent dividend yield? Look no further than **WPT Industrial REIT** (TSX:WIR.U). When you think of e-commerce, real estate is probably not the first thing that comes to mind. However, WPT's focus on high-span logistics properties positions it to profit from rising tenant demand for e-commerce warehousing and reverse logistics space (room to process returns from e-retailers).

While WPT is Canadian listed, its portfolio of 76 properties are 100% located in the United States, primarily around major distribution hubs. Four of its top 10 tenants are e-commerce-related (**Amazon**, Zulily, etc.) and five are consumer-staple distributors (**General Mills**, Continental Tire, **Unilever**, etc.). WPT's occupancy is strong at 99.5%, it has an average lease term of five years, and it has the opportunity to grow through a joint development/acquisition partnership with AIMCO and CPPIB.

The REIT is relatively cheap with a price/AFFO that is almost 30% lower than its U.S. peers. As well, WPT's yield of 5.3% is 280 basis points higher than its U.S. peers (around 2.5%). It's cheap valuation and recent market underperformance could make it a nice acquisition target for a private equity consolidator or a larger U.S. REIT. While that is completely speculative, I would just buy the stock for the long run. Hold WPT for the great cash flow and watch the company rise, as it benefits from the rising e-commerce wave.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)

3. TSX:PPL (Pembina Pipeline Corporation)

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Date
2025/07/02
Date Created
2020/01/31
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