Retirement Income: 3 High-Yield Stocks to Buy Today

Description

I can sense that a rate cut will be coming very soon from the Bank of Canada. Everyone else has been cutting, while Canada has been trying to keep rates from falling lower. With the changing of the guard going to a model of lower for longer, it might soon be the case that Canada's new Bank of Canada governor will follow suit, dropping Canada's prime rate when the next decision comes around.

The stage has already been set for a rate cut, after all. The coronavirus looks to be enough of a threat to our economy to have an insurance cut on the table. Put that on the pile with continued trade fallout and a precarious domestic economy, and it seems like there is an argument for people looking to hand out cheaper money.

Retirees looking for income, however, need to generate enough cash from their investments to pay their living costs. Lower rates are certainly not going to help in that regard, so they will need to wander into the equity markets to get the income they need. If you are someone in this boat, or if you simply want to generate income from your investments, then you need to start looking at some income-generating investments to fill the void.

One great place to look for income is in the restaurant sector. Canada has a number of publicly traded entities exposed to this sector, so there are a number of ways you can go. Whether you want a high initial yield or a smaller, growing payout with the potential for capital gains, there is something for you.

My personal favourite in the sector is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The parent of Tim Hortons, Popeyes, and Burger King is an international growth champion with a pretty substantial dividend to boot. If you buy shares of this organization, you are in good company with investors like Warren Buffett holding a position in the stock.

QSR has given investors pretty substantial gains over the past several years in terms of capital appreciation and dividend growth. The stock has pulled back recently, but this represents an excellent entry point for new investors. If you pick up this stock today, you will be treated with a dividend yield of about 3%.

I am partial to getting a dividend with higher growth, even if the dividend yield happens to be smaller. If you want a higher yield, though, you might want to take a look at a stock like **Keg Royalties Income Fund**

(TSX:KEG.UN). This company takes a slice, 4% of gross sales, from the income of all the Keg restaurants and pays it out as a dividend to investors.

This keeps the dividend relatively secure, as the company is not subject to individual restaurant risk. The Keg also operates a restaurant chain that is diversified across the country, making its income fairly stable overall. The yield works out to about 7% at the current share price and is paid out on a monthly basis.

Another income fund you can look at is **A&W Revenue Royalties Income Fund** (TSX:AW.UN). This stock works in a similar manner to the Keg, with its income coming in the form of a 3% royalty on sales from its 934 restaurants across Canada. This company also boasts a fairly substantial amount of geographic diversity.

The dividend yield is not as high as the Keg's yield, but it has been growing pretty steadily over time. It currently sits at just under 5%, putting it smack dab between the other two restaurants described in this article. The dividend is paid out on a monthly basis and has sometimes been raised more than once a year over the past few years.

The bottom line

While all of these stocks can be contenders for your income portfolio, I personally prefer QSR and A&W. I like the fact that these are fast-food restaurant chains — a type of restaurant that may hold up better in a recession than the more expensive Keg restaurants. I also like the dividend growth in those two over the Keg — a factor I consider to be more important at times than absolute yield.

In any case, if rates continue to punish retirees and other income investors, adding these stocks can be a great way to generate inflation-beating income as you wait for rising rates to come back.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:KEG.UN (Keg Royalties Income Fund)
4. TSX:QSR (Restaurant Brands International Inc.)

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