Retirees: 3 Safe Dividend Stocks Yielding +5%

Description

As many Canadian stocks race to cut or suspend their dividends, many older investors have started rethinking their whole investment process. Yield is great, but they're more interested in finding safe dividend stocks.

That's easier said than done, of course. The economy is essentially shut down, and this artificially created downturn may linger for a year or two before substantially getting better. In this type of environment, it's easy to argue there's really no such thing as safe dividend stocks. Every company may end up becoming risky.

But there are some stocks that will still be much safer than others. Their dividends are affordable, even if the economy continues to struggle.

Let's take a closer look at some of these companies — safe dividend stocks that offer a yield of at least 5%.

Telus

Telus (TSX:T)(NYSE:TU) hasn't fallen nearly as much as the overall market. After all, a world where we're all trapped at home and forced to call our loved ones is good for the provider of wireless phone, cable TV, and internet service.

But shares have fallen enough to make this safe dividend stock's valuation pretty compelling. Shares trade at approximately 15 times trailing earnings. Previously, shares traded closer to 20 times trailing earnings. And with shares down close to 20% compared to their peak just a couple of months ago, the dividend yield has been boosted significantly. The stock offered a nice yield before; now the payout is a robust 5.1%.

And remember, Telus is one of Canada's best dividend-growth stocks. It has upped its payout each year since 2010, often treating investors to two dividend hikes per year. Management may make the prudent decision to pause dividend hikes for the time being, but it'll only be a matter of time until this steady performer reverts back to its previous ways.

Rogers Sugar

Rogers Sugar (TSX:RSI) — which is one half of the sugar duopoly that dominates the Canadian market — is a boring bond-like investment that I think has been unfairly punished through this market downturn. Shares are down a little more than 10% compared to their short-term peak in mid-February.

If anything, I think the stock should be up. There's been a massive run on baking supplies, as bakers load up on flour, yeast, and sugar. They want to ensure they have adequate supplies just in case COVID-19 really impacts the supply chain. This demand has been so high that it has led to sugar shortages at Canadian grocery stores, although Rogers has done a good job minimizing them.

Even before this hoarding began, Rogers was among Canada's best safe dividend stocks. It has paid a $0.09-per-share quarterly dividend for years now, easily maintaining the payout, even as its newest division, maple syrup, struggled a bit. The current yield is 7.7%, and it should be well covered by earnings in 2020.

Crombie REIT

Many investors are avoiding REITs right now, convinced these companies are about to face an avalanche of tenants who can't pay their rent. But reality is nowhere close to that bad.

Take **Crombie REIT** (TSX:CRR.UN), the owner of 285 different properties spanning some 18 million square feet of gross leasable space. Its largest tenants are Sobeys and Safeway supermarkets, with these safe sources making up approximately 55% of all rents. Other top tenants include drugstores and various levels of government.

Crombie is also in the early innings of an interesting development program. The company owns retail real estate across the country that can be redeveloped into mixed-use facilities, with most plans calling for a grocery store on the bottom and apartments on top. Crombie has identified more than 30 sites with potential to add some 11 million square feet to the portfolio.

Although shares have recovered nicely from their lows, Crombie is still a cheap stock. It trades at approximately 12 times trailing adjusted funds from operations, despite several developments expected to start adding to the bottom line in 2020. The dividend yield is a robust 6.8%.

The bottom line on these safe dividend stocks

It's easy to see why some investors are flocking to quality. Safe dividend stocks like Telus, Rogers Sugar, and Crombie REIT offer a unique combination of high yields and safe payouts. That's an excellent combination no matter what the underlying market does.

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2. TSX:CRR.UN (Crombie Real Estate Investment Trust)
3. TSX:RSI (Rogers Sugar Inc.)
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