



3 High-Yield Options for Income Investors

Description

The rise in uncertainty we've seen reflected in the stock prices of various high-income plays has resulted in somewhat of a bifurcated market. On the one hand, there are dividend payers that have lost the confidence of the overall market in terms of their ability to pay their dividends. These companies have grown in number drastically. Many have already cut their dividends accordingly in recent months.

On the other hand, there are many companies that continue to pay juicy dividends that certainly could be viewed as safer. In this article, I'm going to discuss three such options for the income investor.

Brookfield Infrastructure Partners

As far as all the Brookfield companies go, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is probably [my top choice for investors](#) right now. This partnership holds a high-quality portfolio of some of the best infrastructure projects out there. These projects have very stable and secure cash flows that have become more attractive in this time of uncertainty.

The partnership has typically taken stakes in various large infrastructure projects, usually not 100% ownership, but as a partner to other groups. This allows for operators to have skin in the game and reduces the overall risk profile of what may otherwise be higher risk projects (at least in the context of infrastructure endeavors). The high recurring revenue and cash flow generation from said projects provides very stable cash flows. This further provides stability to the partnership's high yield.

Royal Bank

This company is perhaps the safest pick of the three. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is a high-quality, blue-chip stock. Royal Bank has provided income investors with a mid-single-digit dividend yield for some time now. This yield is quite high for Royal Bank compared to historical levels. Financials will take a significant hit from lower for longer interest rates. I believe this near-term pain is likely to bleed into the medium term.

Whether or not any sort of significant structural damage is done from this recession we're now in remains to be seen. That said, if negative interest rates materialize shortly, large lenders like Royal Bank are likely to see a longer period of pain than what may be currently priced into this stock right now.

Various European banks have seen some damage via negative interest rate policies. Therefore, the 10- or 20-year outlook for Royal Bank may be cause for concern for any income investor who cares about total returns.

BCE

Traditionally a juicy dividend payer, telecommunications giant **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) has an excellent track record of earnings growth and stability. These nicely support the company's high single-digit dividend yield.

This is a well-managed company with excellent operating margin and strong core businesses, which support the company's yield. I expect to see the company's long-term track record of dividend growth continue over the long term.

There is potential for a short pause over the next year or two should BCE want to maintain the payout ratio. However, there are strong secular growth trends relating to 5G upgrades on the horizon. Therefore, income investors ought to consider BCE as a long-term buy-and-hold opportunity on these dips.

Stay Foolish, my friends.

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2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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