Got $3,000 to Invest But Worried About Low Interest Rates? Here's How to Squeeze High Yields

Description

With record-low interest rates, income investors are facing an uphill task of searching for yields. With the pandemic in the background and a weak economic outlook, the central bank is unlikely to increase rates in the foreseeable future, implying that investors have to widen their gaze to generate steady fixed income.

Luckily, there are several TSX stocks that offer high and safe yields that should appeal to income-seeking investors. Without further ado, let's focus on some of the TSX stocks to generate reliable income that continues to grow with you.

Enbridge

While low oil prices have taken a toll on **Enbridge** (TSX:ENB)(NYSE:ENB) stock, its dividends are pretty safe. Buying Enbridge stock entitles you to receive a juicy annualized yield of 7.5%. Despite lower throughput on its liquids mainline system, Enbridge benefits from its diversified cash flow streams and contractual arrangements that safeguard its EBITDA and covers its payouts.

The company is a Dividend Aristocrat with a history of consistently increasing its dividends for 25 years. With gradual improvement in the mainline throughput coupled with higher utilization in its gas transmission and gas distribution and storage business, Enbridge will continue to generate steady dividend income for its investors.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is another top stock for investors seeking high and safe yields. It pays a quarterly dividend of $0.79 per share, which translates into a juicy forward yield of 5.3%.

Investors should note that Canadian banks, like most of their global peers, have reported increased provisions due to fear of default amid the COVID-19 pandemic. However, Toronto-Dominion Bank's retail focus reduces default risk. Meanwhile, its ability to drive loans and deposits amid heightened competitive activity should support its net interest income and payouts.

The bank has temporarily suspended any dividend hike in light of the pandemic. However, its dividends are likely to increase as the economy recovers from the slowdown. The bank has a long history of increasing its dividends. For those who do not know, Toronto-Dominion Bank's dividends have increased at an annual rate of 10% in the last 20 years. Toronto-Dominion Bank's payout range of 40-50% remains low and quite sustainable in the long run.

Pembina Pipeline

Shares of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) offer a high-yield of 7.6%, which is very safe. Similar to Enbridge, low liquid volumes amid a decline in oil prices dragged Pembina stock down. However, the company's payouts are well covered through contractual arrangements and fee-based cash flows.

Pembina Pipeline's years of investments and recent acquisitions have helped the company to develop a low-risk business that has highly contracted assets with exposure to credit-worthy counter-parties.

Moreover, 90% of its adjusted EBITDA comes from businesses that have long-term contracts. Furthermore, the majority of these contracts are backed by arrangements that mitigate volume or price risk.

Thanks to its diversified and low-risk assets, Pembina generates strong fee-based cash flows that easily cover its dividend payouts.

Bottom line

These three TSX stocks have a strong history of consistently paying higher dividends. Investing your $3,000 in these stocks is likely to generate steady passive income. Further, the recent decline in their stock prices indicates that investors could benefit from strong capital appreciation along with dividend income.

CATEGORY

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2. Dividend Stocks
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2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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