



3 Under-\$20 Utility Stocks You Can Treat Like a Fixed Deposit

Description

It is tough to generate fixed and high yields these days, as central banks around the world have drastically reduced interest rates to support the economy battered by the virus. It's uncertain how long the interest rates are likely to stay low, as COVID-19 infections continue to rise.

However, the good news is that income investors can earn safe and high yields, just like a fixed deposit, if they can widen their gaze a bit. Several utility stocks offer high yields. Moreover, these companies generate predictable cash flows, implying their payouts are safe and will continue to grow with you. On top of that, you don't need tonnes of cash to invest in these companies, as a few utility stocks are trading under \$20 and offer stellar yields.

Without further ado, let's focus on the three TSX stocks you can treat like fixed deposits.

TransAlta Renewables

With a current market price of around \$16 and a dividend yield of 5.9%, **TransAlta Renewables** ([TSX:RNW](#)) is among the top utility stocks to buy and hold for decades to earn high yields that are very safe.

The company's highly diversified asset base backed by about 11 years of weighted average contract life indicates that the company's payouts are stable and likely to grow in the future. Thanks to its diversified revenue base, TransAlta Renewables continues to generate robust cash available for distribution. In the [most recent quarter](#), its EBITDA improved 4% year over year. Meanwhile, the adjusted funds from operations and cash available for distribution (per-share basis) increased by 13% and 14%, respectively.

Its annualized dividends have grown at a compound annual growth rate (CAGR) of 4% since it listed on the exchange in 2013. Besides, its high yield of 5.9% is one of the highest among peers.

Investors should note that the company's highly diversified and contracted portfolio and cost competitiveness positions it well to continue to generate strong growth and increase its payouts.

AltaGas

With diversified low-risk utility assets and high-growth midstream businesses, **AltaGas** ([TSX:ALA](#)) is one of the top dividend-paying utility stocks under \$20. It currently offers an attractive and high yield of 5.3%, which is safe, as the company generates three-fourths of its revenues from the utility business, which is rate regulated.

AltaGas expects 8-10% growth in its rate base annually, which implies that its dividends could continue to increase in the future. Meanwhile, its high-growth midstream business is likely to benefit from higher utilization rate and higher export volumes.

Investors looking for fixed and high yields can consider investing in AltaGas stock.

Algonquin Power & Utilities

With a history of raising its dividends for 10 years in a row, **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) is another [top utility stock to bet on for steady and high yields](#). The company's low-risk, rate-regulated business generates predictable and growing cash flows. Meanwhile, its renewables assets benefit from power-purchase agreements and are inflation-indexed to reduce to price risk.

The company announced a 10% hike in its dividends this year and is likely to increase it further in the coming years, thanks to its stable business and healthy cash flows.

Bottom line

Investors should consider buying the shares of these three companies amid a low interest rate environment. These three TSX stocks could continue to generate steady and high yields, thus boosting returns for income-seeking investors.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ALA (AltaGas Ltd.)

3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2020/08/13

Author

snahata

default watermark

default watermark