2 Top Stocks for Retirees Yielding up to 7.5%

Description

Are you a retiree looking for juicy passive income? If so, you'd want to check out these two stable stocks that provide high yields of up to 7.5%. By buying them at good valuations now, you can essentially buy and forget the stocks and collect passive income.

Enbridge stock

Enbridge (TSX:ENB)(NYSE:ENB) stock is a Canadian Dividend Aristocrat with more than 65 years of dividend payments and 24 consecutive years of dividend increases.

Even when the energy prices collapsed and the sector was thrown off balance from the pandemic, the blue-chip stock supported its dividend with highly predictable cash flow.

In the first half of the year (H1), Enbridge stock reported adjusted EBITDA, a cash flow proxy, of more than $7 billion — up marginally by 1.4% against H1 2019. Its distributable cash flow (DCF), from which it pays its dividend, also increased at a similar rate of 1.5% to $5.1 billion.

Importantly, management reaffirmed Enbridge's 2020 DCF-per-share guidance of $4.50-$4.80. The midpoint of $4.65 implies a 2020 payout ratio of approximately 70%. This is a little high versus its target payout ratio of 65%.

This could mean slower dividend growth than anticipated over the next couple of years. However, in today's ultra-low interest rate environment, Enbridge stock's high yield of 7.5% still makes it a very attractive income investment.

Moreover, at about $43 per share, the stock is likely to deliver some nice price appreciation, too. Analysts' average 12-month price target on the stock is $52, which represents near-term upside potential of almost 21%.

A defensive Healthcare REIT for monthly dividend income

NorthWest Healthcare Properties REIT (TSX:NWH.UN) yields about 7%. The cash distribution that's paid on a monthly basis is super convenient for retirees seeking consistent monthly income.

The defensive healthcare REIT holds a global portfolio of primarily hospital, outpatient, and medical office buildings. It just reported its second-quarter results on Monday. The COVID-19 pandemic has had little impact on the REIT, which generates more than 80% of its revenues directly or indirectly from public healthcare funding.

For Q2, NorthWest Healthcare Properties had rent collections or formal deferral arrangements on 97.6% of its revenues. Specifically, only 4% of its annual gross rents had deferral arrangements, which spanned 379 tenants and were largely in Canada and Australasia.

The healthcare REIT has 189 properties with a high occupancy of 97.4%. Throwing in a normalized payout ratio of 87%, a weighted average lease expiry of 14.6 years, and fee-bearing capital of $8.4 billion make the REIT's cash distribution very predictable. Additionally, the REIT has growth drivers from its expansion into the U.K. and its European joint venture as well as inflation-indexed cash flow.

At writing, the REIT trades at $11.46 per unit, which is a discount of about 7% from its end-of-Q2 net asset value of $12.37 per unit. Essentially, the dividend stock is fairly valued for nice monthly income.

The Foolish takeaway

Between Enbridge and NorthWest Healthcare Properties, retirees can generate an average yield of 7.25%, which is substantial income versus low interest rates. Investing merely $100,000 ($50,000 in each), retirees can generate $7,250 per year (equating to a nice $604 a month). What's more to like is that Enbridge stock will increase its payout in the long run.

These passive-income-generating investments would serve you well, as you can buy and forget them and spend time doing what you enjoy.

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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kayng