2 High-Yield Dividend Stocks That Can Pay You for Decades

Description

Dividend stocks are a good way to start a side income. To get the most out of your dividend-based side income, you have to try and lock in a high-yield and buy into companies that are strong enough to sustain their dividends even through market crashes and corrections. A better approach is to invest in dividend aristocrats so that you get not only consistent dividends but also regular increases in your payouts.

Whatever your threshold for “high-yield” is, you would know that not many aristocrats offer a very generous yield. Their primary selling point is consistency. But if you buy during or after a market crash, when stocks are still recovering, you can lock it high-yield dividend stocks are bargain prices. These crashes also tell you which companies have the potential to sustain their dividends during harsh economic times.

A high-yield energy stock

The energy sector was already under pressure before the pandemic. The Russia-Saudi oil-war harmed almost all oil producers. Still, many energy dividend aristocrats maintained their dividend growth streak. And even after the 2020 market crash, one of the most prominent aristocrats in the sector i.e., **Enbridge** (TSX:ENB)(NYSE:ENB), didn’t slash its dividends.

Enbridge stock is still down 27.8% from its pre-pandemic high-valuation, which is terrible from a capital growth perspective, a perfect time to pick up this 24-year old aristocrat. The company is currently offering a magnificent yield of 7.85%. It recently released its quarterly, un-slashed dividends. The payout ratio has entered a perilous territory right now (329%).

How long will the company sustain its dividends while its earnings keep taking hits and suffering the repercussions of low oil demands? That’s the question you have to ask yourself before this incredible yield. Indeed, oil might not have a long and bright future ahead of it, and it’s definitely losing its former glory, but the world is still decades from shedding its total oil dependency.

And if you lock in the current yield, and the company sticks by its stubborn dividend streak, that means decades of robust dividend income.

A high-yield financial stock

Genworth MI Canada (TSX:MIC) is offering a very juicy yield of 6.11%, at a relatively safer payout ratio of 45.4%. The company is also fond of paying out generous special dividends, but even if you disregard them, you still have a potent history of consecutive dividend increases for 11 years. That means the company has sustained/increased its dividends through two major market crashes.

With a price-to-earnings of just 8.3 times and price-to-books of 0.8 times, the stock is significantly undervalued. When the economy was strong, the stock didn't only offer generous dividends; it also promised capital growth potential. The company has a strong balance sheet, a stellar dividend history, and when it truly recovers, it can make you money in two ways i.e., dividends and capital growth.

And unlike the energy sector, the mortgage insurance business is likely to stay healthy for decades.

Foolish takeaway

Locking in the current high-yields is a good idea if you are sure that the economy is recovering and the stock market won't crash in the near future. But if you are unsure, you can wait for another crash to happen before buying. It will put an even bigger discount tag on the stocks, increase your yield a bit more, and if either of the companies suspend their dividends, save you from making the wrong high-yield stock investment.

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