Top Up Your CRB Benefits With More Income Now!

Description

The Canada Emergency Response Benefit (CERB) has ended. Thankfully, the Canada Recovery Benefit (CRB) application will open next week. For Canadian workers who are eligible, it'll provide $1,000 every two weeks. That will be a nice boost to income.

If you have some savings to spare, there's more you can do to increase your income.

Should you get more income from GICs?

You can place your savings in GICs that provide a guarantee of your principal and interest income. The best one-year rate is 1.4%, which progressively increases as the term of the GIC lengthens. Currently, the rate is 1.9% for the best five-year GIC.

The Bank of Canada aims to keep Canada's long-term inflation rate at 2%. So, at best, GICs are going to roughly maintain your purchasing power.

Get more income from dividend stocks instead

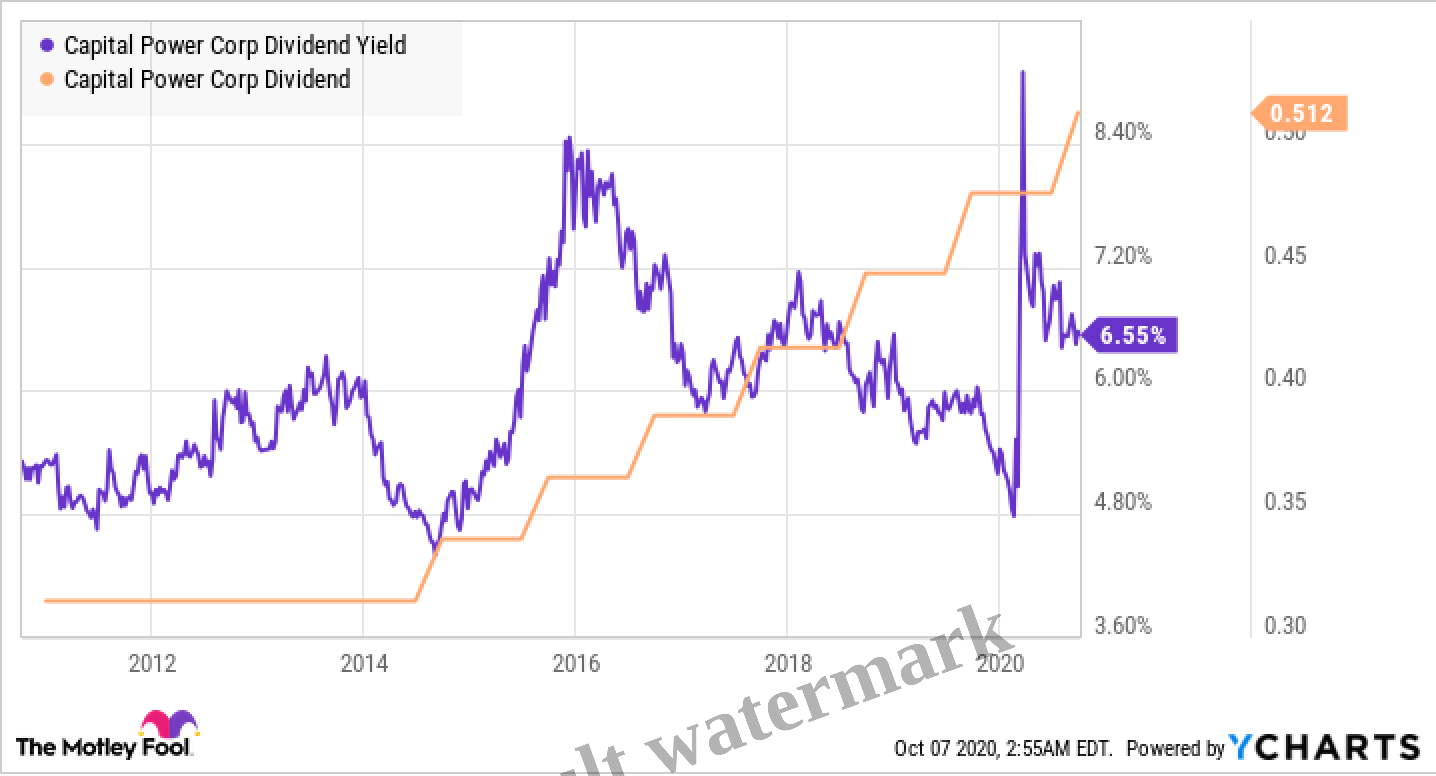
To grow your wealth, you might consider taking a bit more risk by investing in dividend stocks that pay you more income and are trading at good valuations.

Many investors buy utilities for stable dividend income. One utility stock that's reasonably priced right now is **Capital Power** (TSX:CPX).

The stock is trading marginally below where it traded a year ago, as it fell more than 40% from peak to trough in the March market crash. Since the low, Capital Power stock has recovered more than 35%.

At writing, at $29.60 per share, the utility stock has about 14% near-term upside potential, according to analysts' 12-month average price target of $33.90.

The high-yield stock provides a 6.9% yield, which can immediately boost your income generation.



CPX Dividend data by YCharts. Dividend and dividend yield history of CPX stock.

Capital Power has increased its dividend for six consecutive years and expects a 7% increase next year and a 5% increase in 2022. The stock would be even more attractive whenever it yields close to 7.5% or higher. That would imply a target buy price of $27.33 based on the current quarterly dividend of $0.5125 per share.

Its ex-dividend date just passed in late September. Consequently, the next ex-dividend date will be in late December. So, interested investors have more than two months to pick up shares to get the next and future dividends from Capital Power.

About Capital Power

Capital Power's North American power-generation portfolio consists of 28 facilities with a total capacity of more than 6,400 MW. It has a young fleet of facilities — only 2% is expected to retire in the next decade.

Additionally, it's also riding on the secular growth trend in decarbonization. It's working on clean power projects, including wind, solar, and gas. For example, the Whitla wind project will be completed by the end of 2021. It will have 353 MW of generation capacity, which will be the largest wind facility in Alberta. Furthermore, it's working on a solar project that will be its first in Canada and add 40.5 MW in early 2022.

The Foolish takeaway

The high-yield stock enjoys an investment-grade S&P credit rating of BBB-. In addition, about 78% of its adjusted EBITDA, a cash flow proxy, is contracted, which helps keep its dividend safe.

Capital Power projects to report adjusted EBITDA of more than $960 million and adjusted funds from operations (AFFO) of about $525 million. Based on its AFFO projection, its AFFO payout ratio would be about 58% this year after accounting for capital spending needed to sustain its operations.

Interested investors can consider buying reasonably valued Capital Power for a yield of 6.9% to complement their CRB payments. Whenever the stock yields 7.5% or higher, consider buying even more shares for more income.

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