Stocks With 6% to 8% Dividend Yield: Where to Invest $1,000 Right Now

Description

As interest rates are low and economic trajectory remains uncertain, it is prudent to squeeze stable income from dividend-paying stocks. However, only a handful of **TSX**-listed stocks offer a high dividend yield of 6% to 8% that is sustainable in the long run.

Though the pandemic has weighed on these Canadian companies' stock prices, they have diversified and low-risk businesses that generate substantial cash flows supporting the payouts. So, let's focus on the best TSX stocks offering high and sustainable dividend yield.

A top Canadian bank stock

The higher provisions and lower interest rates dragged shares of top Canadian banks down. However, the decline in these bank stocks has driven their yields higher. Though the uncertainty surrounding the economy poses a threat to banks, their low stock prices coupled with safe and high dividend yields suggest that now is the time to buy bank stocks.

Among the top Canadian banks, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) offers excellent value, thanks to the over 23% year-to-date decline in its stock. Also, the bank should be on your radar for its stellar dividend yield.

Currently, Bank of Nova Scotia pays a quarterly dividend of $0.90 per share, reflecting an annual dividend yield of a solid 6.4%.

Bank of Nova Scotia's high-quality earnings, market share growth, and strong personal and commercial banking and wealth business continue to support its payouts. Over the last decade, its dividends have grown at a compound annual growth rate (CAGR) of 6%, which is impressive.

While the bank may not increase its dividends further in 2020, a decline in provisions for credit losses, expansion of market share, and an uptick in economic activities suggest that Bank of Nova Scotia could continue to boost its shareholders' returns through consistent dividend payments.

An energy giant to rely upon

As the slump in demand and higher supply continues to weigh on energy stocks, you shouldn't ignore the shares of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), especially when the energy infrastructure giant is offering a high dividend yield of over 8.6%.

While Pembina Pipeline's business has taken a massive hit from the lower demand for crude oil and the uncertain outlook for energy, its dividends remain safe, thanks to the stable fee-based cash flows.

Pembina Pipeline runs a low-risk business supported through contractual arrangements and has diversified its exposure to multiple commodities. The pipeline giant pays its dividends through the fee-based cash flows generated from businesses that do not have direct commodity exposure suggesting that its payouts are safe.

Over the last five years, Pembina has distributed dividends worth $4.5 billion. Meanwhile, its dividends have grown by 6.5% annually during that period.

While the pandemic has led the company to pause dividend hikes in 2020, the company derives ample fee-based cash flows that are more than enough to fund its dividends and meet its operating obligations.

Bottom line

Despite the uncertain economic outlook, both these companies' high dividend yields are safe, thanks to their resilient cash flows. Investors should use the current decline and invest $1,000 in these stocks to benefit from capital appreciation and stable dividend income.

CATEGORY

1. Bank Stocks
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4. Energy Stocks

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2. NYSE:PBA (Pembina Pipeline Corporation)
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4. TSX:PPL (Pembina Pipeline Corporation)

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