



Passive-Income Seekers: 2 Top High-Yield Dividend Stocks

Description

There's no question that one of the best feelings when it comes to investing is watching the passive income from your **TSX** dividend stocks roll in. And the longer you invest and the more money you save up, the bigger the snowball effect of this passive income.

That's why it's crucial to save and invest your money as soon as you can. You have the opportunity to create a massive continuous income stream just from buying some of the top high-yielding dividend stocks on the TSX.

Before we look at two companies worth an investment today, it's important to note higher-yield investments usually have some sort of trade-off. Most often, these businesses are seen by the market as being higher risk. However, sometimes, the stocks just pay substantial yields, because they are created for passive income and offer limited capital gains potential.

Whatever the situation is, it's crucial investors know why the stock is a high yielder before you invest. Otherwise, you can make a big mistake and end up with major losses on your hands.

With that being said, here are two of the top high-yield dividend stocks on the TSX to buy today.

Restaurant dividend stock

The first high-yield dividend stock I'd recommend considering today is **Pizza Pizza Royalty** ([TSX:PZA](#)).

Pizza Pizza has had an interesting journey through the pandemic. Investors have known that of all the restaurant stocks on the TSX, Pizza Pizza is the most defensive. And the company reaffirmed this in 2020, putting up a stellar performance through the pandemic.

While most of its peers had to suspend their dividends this year due to a massive impact on sales, Pizza Pizza's revenue has stayed a lot more robust. This resulted in the company only needing to trim the dividend a small amount, though management elected to cut more than necessary to be conservative.

The good news for investors is that what little impact [Pizza Pizza](#) has seen has been slowly improving. Furthermore, investors can buy the stock today and still receive a 6.9% dividend at its reduced payout ratio.

Plus, in addition to not impacting Pizza Pizza that significantly, if the pandemic continues to impact its less-defensive peers, naturally, Pizza Pizza could grow its market share in Canada.

Royalty companies typically pay most or all of their income out through dividends. Therefore, Pizza Pizza's dividend is high, because investors usually won't see much capital appreciation in the stock.

However, with the company down temporarily due to impacts from the pandemic, investors could see an increase to the share price, as its revenue and earnings recover. And when the economy is clearly through the pandemic, you can expect to see a significant dividend hike.

Blue-chip dividend stock

The other stock you could consider is a large blue-chip stock like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Unlike Pizza Pizza, Enbridge is offering a higher dividend yield, because investors are concerned with the state of its business.

The uncertainty around the second wave of the pandemic and what effect it might have on oil demand is leading many investors to avoid the blue-chip dividend stock for now.

However, Enbridge is one of the best companies on the TSX, so there are many reasons to take a position today.

First of all, the company is well diversified, so its pipeline segment is only part of its total business. Owning other businesses, like a gas utility company, is key for ensuring resilient cash flow during times like these.

Second, pipelines are still the best way to ship oil, and while there have been curtailments through the pandemic, so far, the impact on pipeline volumes have been minor.

These impacts to [Enbridge's](#) business are all short term, yet the stock trades down 20% year to date. So, for those investors willing to take on the small additional risk, you can get the stock at a bargain and lock in its 8.3% dividend.

Bottom line

Finding high-yield stocks can be great; however, it's critical that the dividends are safe. This is always a risk with higher-yield stocks, so you really have to do your homework.

If the yield is safe, these stocks can provide substantial returns, especially if the stock can offer significant capital gains potential as well.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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