Investing $10,000 in This High-Yield Dividend Stock Will Get You $1,015/Year

Description

The economic situation in Canada before the 2020 novel coronavirus outbreak was generally healthy. People were going about their routines, including the preparation of tax returns for the income year 2019. However, COVID-19 disturbed the balance and brought instant instability.

In October, the federal government is still handing out emergency aid in what is supposed to be the recovery period. The fallout from the pandemic is intense, especially on household finances and retirement dreams. Economists expect the economy to contract further due to a long-term recession.

While federal aid is flowing, it's temporary. To prevent a financial lockdown once it dries up, consider investing in a high-yield dividend stock that can boost annual income or bolster retirement funds.

Tempting offer

The stock market is risky and in constant threat of a crash because of the second wave of COVID-19. But it's also the marketplace to purchase income-producing assets. A large Canadian independent midstream energy company that pays a high 10.15% dividend is hard to ignore if you're chasing a massive windfall.

If you invest $10,000 in **Keyera** (TSX:KEY) today, you can earn $1,015 per year. Invest ten times more the amount, and the annual earnings are $10,150. Since this energy stock pays monthly dividends, you'll have an extra $845.83 in income support every month.

Risk and reward

Keyera's dividend offer is tempting and will reward you with higher income. Still, don't jump into the water without considering the risks. The energy sector is the worst performer among the 11 primary sectors in the **S&P/TSX Composite Index**, with its -55.15 year-to-date return.

Current Keyera investors are losing by 38% thus far, as of this writing, although analysts recommend a buy rating. They forecast the stock to appreciate from $19.46 to $30 in the next 12 months or a 58% return to the pre-corona level. However, expect earnings volatility in the short-term while oil prices remain depressed.

Key takeaways

A key takeaway for this $4.3 billion company is that it’s more sensitive to volumes, not oil prices. Keyera provides natural gas liquid (NGL) gathering, processing, fractionation, storage, transportation, logistics, and marketing services.

At present, the company has interests in 18 active gas plants, while the construction of two gas plants in Alberta is ongoing. Aside from the extensive 4,000 kilometre pipeline network in its gathering system, all the facilities’ economic life is long term.

Keyera offers a full range of essential midstream services. Likewise, its broad customer base consisting mostly of investment-grade counter-parties is a plus factor. More cash flow is coming once the expansion projects (Simonette, Wapiti, and Pipestone gas plants) are complete. Existing gas processing capacity in the region would double, while condensate handling capacity will increase.

Finally, Keyera’s assets are in strategic locations and boast of an integrated business model. Also, collections are from fee-based service contracts. It can compete with North America’s natural gas distributors and other midstream and transportation service providers.

Determine your risk tolerance

The uncertainties today require the efficient use of financial resources. If you’re investing in a high-yield dividend stock like Keyera, you must have the stomach for the elevated volatility. Also, it assumes the capital you will invest is not money you can’t afford to lose.

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