2 Dividend Beasts You Won’t Regret Buying in 2021

Description

Warren Buffett said, “If your salary is the only source of income, then you are one step away from poverty.” The decimated job market of 2020 proved how true this quote is. If you solely rely on your job to sustain yourself financially, then you are bound and limited by it. It wasn’t a problem when jobs were aplenty, but the way our economy is evolving and how automation is minimizing the staffing requirements of most businesses, one job might be too fickle an anchor for your life.

A second job or a side business are valid options, but there is another option as well: a passive-income stream. You invest your money in either a rental property or dividend stocks to create a sustainable and consistent income stream. Out of the two, the latter is a viable option for more people. To get the best out of your dividend stream, you need to “cage” dividend beasts with powerful and sustainable dividend yields.

A sweet dividend stock

Rogers Sugar (TSX:RSI), or Lantic Sugar, has been sweetening Canadian cuisines and meals for more than two decades, but a sweet taste in your mouth isn’t the only thing it offers. The company also offers a juicy 6.67% yield. The yield is currently backed by a 112% payout ratio, but the company hadn’t slashed its dividends in the past when the payout ratio was higher than that.

Rogers has a strong competitive advantage in its niche industry, especially since it merged with Lantic. Apart from 2019, the company has grown its revenue every year in the past six years. And while it did recover swiftly after the market crash, the company doesn’t offer much in the way of capital growth prospects.

A mortgage company

2020 was not a great year for many businesses, but the same cannot be said for the housing market and mortgage businesses like **Atrium Mortgage** (TSX:AI) that are associated with it. It’s one of the reasons the company grew at a decent pace after the crash (87%). But since it has still to reach its prepandemic valuation, it offers a very generous yield of 7%. The current payout ratio is 96.7%.

The company offers loans to borrowers that don't fit well with the traditional lenders — i.e., banks. Most loans fall under land assembly, bridge financing, and infill construction. Since it's a significant market with relatively few high-scale lenders, Atrium has a significant competitive advantage. You might also be able to benefit from the capital growth opportunities that this company offers.

Foolish takeaway

Finding the right "beast" isn't the entire solution; you also have to decide which "cage" you will put it in. If your goal is creating a passive income, you might want to put these stocks in your TFSA. If you want them for your retirement income stream, opting for dividend re-investment and placing them in an RRSP might be the better alternative.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:RSI (Rogers Sugar Inc.)

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