2 Canadian Dividend Stocks to Replace Shaw's Monthly Dividend

Description

Shaw Communications is in the process of being acquired by **Rogers Communications**. It'll require approvals from multiple Canadian regulators, though. Rogers hopes to complete the merger in about a year. So, Shaw shareholders still have a lot of time to move their invested capital to another stock.

Many investors in Shaw were in it for the consistent monthly dividend. After the rally from the merger news, Shaw yields approximately 3.4%.

Here, I'll introduce a couple of Canadian monthly dividend stocks for you to consider for replacing Shaw's dividend income.

H&R REIT

H&R REIT (TSX:HR.UN) is on the path to normalization post pandemic. Across its diversified portfolio of office, retail, industrial, and residential real estate assets, it produces more than enough cash flow for its monthly cash distribution.

At $15.09 per unit, H&R REIT provides a yield of close to 4.6%. Its funds from operations payout ratio is estimated to be below 50% this year. The payout ratio is low relative to historic levels because management prudently cut the cash distribution by half during the pandemic.

As the operating environment improves, H&R REIT will likely improve its cash distribution to at least close to the pre-pandemic levels.

Consequently, H&R REIT provides good estimated total returns over the next few years — upside of about 33% to $20 per unit and a forward yield of about 8% assuming the cash distribution recovers to 90% of pre-pandemic levels.

Notably, REITs pay out cash distributions that are like dividends but are taxed differently. In non-registered accounts, the return of capital portion of the distribution is tax deferred until unitholders sell or their adjusted cost basis turns negative.

REIT distributions can also contain other income, capital gains, and foreign non-business income. Other income and foreign non-business income are taxed at your marginal tax rate, while capital gains are taxed at half your marginal tax rate.

If you hold REITs inside tax-advantaged accounts like a TFSA, RRSP, RDSP, or RESP, then you can sidestep the above issue.

A&W for monthly income

Like H&R REIT, **A&W Revenue Royalties Income Fund** (TSX:AW.UN) has also been recovering from the pandemic. From peak to trough, during the market crash, more than 40% of the restaurant's market cap evaporated. At one point, it even had to suspend its monthly cash distributions.

Because of economic lockdowns, it had no choice but temporarily close some of the 971 A&W restaurants in its network across Canada.

Now, about a year after the pandemic market crash, the stock has recovered to close to pre-pandemic levels. The stock has paid special cash distributions when it could during the pandemic and has recovered its monthly cash distribution to $0.135 per unit to show that it is committed to its unitholders.

The current payout equates to a yield of almost 4.6%. A&W's cash distribution resuming to pre-pandemic levels down the road would imply a forward yield of 5%.

The Foolish takeaway

If you're quickly in need of monthly income now, start your research with H&R REIT and A&W. However, there are so many great dividend stocks out there. Many don't pay monthly dividends but make quarterly payouts instead. So, don't restrict yourself to replace the Shaw income with another monthly dividend payer.

For example, from a portfolio management perspective, you might instead replace Shaw with another telecom, such as **BCE**, Rogers, or **TELUS**. The three pay quarterly dividends with yields of 6.2%, 3.2%, and 4.8%, respectively.

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