Income Investors: 6.5% Yielding Stocks That Are Safe

Description

People nowadays tend to be more pessimistic than the people of previous generations. The rationale behind this shift in how we view the world is quite clear, but that still doesn't keep us safe from its negative repercussions. And the problem is that this pessimism permeates almost all our interactions and options, including investments.

A healthy amount of pessimism and skepticism is fine when it comes to investing. It keeps you from tying your capital to stocks with long odds and risky futures. But too much of it can be toxic and keep you from utilizing the full potential of your capital.

Take the example of dividend stocks. Many investors believe that a dividend stock can either be safe or high-yield, but rarely both. And such investors begin to view most high-yield stocks (unless they are in an obvious valuation dip) with skepticism. But there are several high-yielding stocks that are quite safe and will make a valuable addition to your income-generating portfolio. Two of them are **Atrium Mortgage** (TSX:AI) and **Nexus REIT** (TSX:NXR.UN).

A mortgage company

Atrium Mortgage is a Toronto-based mortgage lender with a market capitalization of $601 million, making it a relatively small fish in a pond where the giants are the Big Six. The company offers mortgage loans in urban areas and is able to charge higher premiums because it offers flexible mortgage contracts. It also offers real estate loans that conventional lenders typically don't approve.

Most of the company's revenues are tied to conventional first mortgages (81.7%), which are relatively more stable than second and third mortgages, which have a higher chance of defaulting. 87% of the mortgages currently in the company's books are residential.

Atrium is currently offering a juicy 6.5% yield at a relatively stable payout ratio of 96.7%. The company was growing its dividends up until 2018, but it has maintained its payouts ever since.

A REIT

Nexus REIT is currently offering a mouthwatering yield of 6.7% at a payout ratio of 61%. Even though the REIT has a relatively diversified portfolio, industrial properties dominate as the primary asset class and are responsible for 67% of the NOI. Retail generates 21% of REIT's NOI, and office properties are responsible for the rest. Geographically, Quebec, Alberta, and Ontario make up 84% of the REIT's portfolio.

Nexus and maintained and gradually grew its revenues quite consistently in the last seven years. It has a solid balance sheet, an impressive portfolio, manageable debt, and stable dividends. The REIT is slowly growing its portfolio through strategic acquisitions.

Foolish takeaway

If you are placing both the REITs in your TFSA to start a passive income and you invest $20,000 in each of them, you can generate a monthly income of about $220. It's a decent enough sum to help you with a few small expenses like utilities or the internet bill. Or you can reinvest the sum back into the REITs. At their current valuation, you can buy 23 shares of Nexus and over 15 shares of Atrium for $220.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AI (Atrium Mortgage Investment Corporation)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created

2021/06/05
Author
adamothman