3 of the Safest, High-Yield Dividend Stocks in Canada

Description

Dividend stocks have become an increasingly crucial part of any income portfolio because of low interest rates. Income investors want high-yield dividend stocks that provide safe income.

The Canadian stock market yields about 2.6% at writing. So, Canadian dividend stocks that provide yields greater than 2.6% can be considered high yield. Investors should beware *not* to automatically buy the highest-yielding stocks, as this type of stock's dividends could be in danger.

Here are three of the safest high-yield dividend stocks you can buy on the **TSX**.

Enbridge stock

Enbridge (TSX:ENB)(NYSE:ENB) stock has the longest dividend-growth streak among its peers — 25 consecutive years, to be specific. Right now, the dividend stock offers one of the highest yields on the TSX — a nearly 6.8% yield.

The company owns a diversified business mix, including liquid pipelines, gas transmission and distribution assets, and renewable power assets. It has generated highly stable cash flows, despite energy demand dampened during pandemic economic lockdowns. Thankfully, the rollout of vaccination programs has gained steam, and energy demand is projected to recover to 2019 levels by 2022.

In Q1, Enbridge's gas distribution and storage and renewable power generation business segments remain to be areas of growth. This resulted in a 2% growth in the distributable cash flow (DCF) versus Q1 2020.

Over the next few years, Enbridge stock should safely continue growing its dividend by about 3-5% per year.

Exchange Income

Exchange Income (TSX:EIF) has maintained or increased its dividend every year since 2005. Apparently, its business was built to be effectively diversified to withstand economic cycles. Its dividend track record has proven that its business model works.

Exchange Income describes itself as an acquisition-oriented company that's focused on the sectors of aerospace and aviation services and equipment, and manufacturing.

The company's 10-year dividend-growth rate is 3.9%. If it keeps this up, combined with its high yield of nearly 5.8%, the dividend stock could deliver annualized returns of roughly 10%.

Returns would be higher on valuation expansion potential. Right now, the stock trades at a discount of 12%, according to the analyst consensus 12-month price target of $44.72 per share.

Get monthly income as a passive landlord

Income investors can easily invest in a diversified real estate portfolio through real estate investment trusts (REITs) for passive monthly income.

H&R REIT (TSX:HR.UN) is a good buy right now. The income stock is still depressed compared to pre-pandemic levels. The stock is primarily weighed down by its exposure to retail properties that contribute about 34% of its rent.

Notably, the company enjoys high cap rates of about 6.6% from its office and retail portfolio. Its office portfolio is of top-notch quality with a recent occupancy rate of 99.7% and an average remaining lease term of about 12 years.

Its office portfolio in Alberta is even stronger with 100% occupancy and a remaining lease term of more than 15 years with investment-grade companies in the energy sector. Additionally, H&R REIT's industrial and residential assets add resilience to its diversified portfolio.

The REIT currently pays a solid yield of about 4.1%. Its cash distribution is protected by a very low payout ratio estimated to be roughly 43% this year. In a few years, there's a good chance that it could recover its dividend to higher levels, leading to a yield on cost of more than 7% for today's buyers.

Consider owning REITs in your TFSA to enjoy tax-free passive monthly income!

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:ENB (Enbridge Inc.)

4. TSX:HR.UN (H&R Real Estate Investment Trust)

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