Invest in 2 Dividend Kings for Instant Pay Bumps in 2021

Description

The Canada Revenue Agency (CRA) sets the yearly dollar limit for the Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP). Canadians who are users of either account or both have fresh opportunities to increase disposable income every year.

Most TFSA and RRSP investors prefer high-yield stocks, because money growth is tax-free or tax-sheltered. Likewise, if the goal is to create passive income through them, higher dividend payouts mean instant pay bumps.

In 2021, TFSA and RRSP users can consider taking positions in two Dividend Kings: **Keyera** (TSX:KEY) and **Exchange Income Fund** (TSX:EIF). Besides the high yields, the energy stock and industrial stock pays dividends monthly, not quarterly.

Top-performing income stock

Keyera is an oil and gas major in Canada. The $7.31 billion energy infrastructure company explores and produces oil and gas, then refines and markets the finished products. The TSX's energy sector is the top performer thus far in 2021. This dividend king also outperforms with its 51.4% year-to-date gain.

The current share price is $33.08, while the dividend yield is a juicy 5.8%. One compelling reason to hold Keyera in your investment account is its long history of steady dividend growth since going public in 2003. Last year, management paid out $423 million in dividends — a 7% increase versus the total payouts in 2019.

Despite the negative crude oil prices for most of 2020, Keyera displayed resiliency once more. The company delivered record annual distributable cash flow and maintained balance sheet strength. With commodity prices stabilizing, if not steadily rising, net earnings in Q1 2021 (quarter ended March 31, 2021) increased 0.25% to $85.8 million compared to Q1 2020.

Keyera's primary focus is to become the most efficient operator in the industry and for customers. By reducing costs and improving efficiency, the ultimate result is higher profitability.

Inherent resiliency

Exchange Income is up by only 10.01% year to date, although market analysts recommend a buy rating. They forecast a 37.2% potential upside to $53 in the next 12 months. The industrial stock trades at $39.34 per share and pays a generous 5.8% dividend.

The $1.49 billion company from Winnipeg operates in the aerospace and aviation industry. Like Keyera, Exchange Income belongs to the distinguished Dividend Aristocrat group. Because of the diversified business model, cash flows are stable and sufficient to sustain high dividend payments. Over the last 18.42 years, the total return is 2,634.27% (19.67% CAGR).

While Q1 2021 (quarter ended March 31, 2021) revenue slightly declined by 2%, Exchange Income posted $7.12 million in net earnings versus a $5.29 million net loss in Q1 2020. Notably, net free cash flow ($20 million) rebounded to almost pre-pandemic level during the quarter.

However, the decreased travel demand remains the single biggest threat to the business in 2021. The reduction in passenger volumes impacts Exchange Income's aerospace & aviation segment revenue. Fortunately, the strong cargo, charter, and rotary-wing operations offset or mitigate the said reductions.

Mike Pyle, Exchange Income's CEO, maintains a positive business outlook. The business model handily passed the test last year and demonstrated inherent resiliency. With the additional liquidity, management will take advantage of imminent opportunities and pursue accretive acquisitions.

Rare finds

Dividend Kings are the best options for Canadians who desire to boost disposable income. Also, monthly income stocks are rare finds. You can integrate earnings from Keyera and Exchange Income into your expense budgets.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:KEY (Keyera Corp.)

PARTNER-FEEDS

1. Business Insider
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