



Need Income? 3 Big Dividend Stocks for a Yield of up to 6.3%

Description

Nothing can beat getting more income for investors in today's low interest rate environment. The Bank of Canada indicates that the three- to five-year government bond yields on average about 0.86%. The best five-year GIC rate is 2.2%. The five-year investment-grade corporate bonds yield about 3.4%.

Dividend stock yielding 4.4%

Right now, income investors can get a 4.4% yield from **Emera** ([TSX:EMA](#)). The 1% higher yield versus the corporate bond yield of 3.4% equates to \$1,046 more income over 10 years for an initial investment of \$10,000. Importantly, it's more likely that Emera will increase its dividend over time, providing more dividend income.

The regulated utility provides electric or gas to about 2.5 million customers in Canada, the United States, and the Caribbean. It has roughly \$31 billion of assets generating annualized revenues of close to \$5.5 billion. It produces approximately 65% of its earnings from the United States. So, foreign exchange volatility between U.S. dollars and Canadian dollars will affect its earnings.

Emera is a Canadian Dividend Aristocrat with 14 consecutive years of dividend increases. Its five-year dividend-growth rate is about 8%. The dividend stock aims to grow its dividend by about 4.5% through 2022.

Currently, EMA stock is fairly valued at \$57 and change per share. Income investors can consider buying it for income, especially when it yields 5% or higher. Assuming a dividend hike of about 4.5% by early October, that would be a target maximum buy price of \$53.20 per share on a dip of approximately 8%.

Get a 4.5% yield from this dividend stock

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) has maintained or increased its dividend since 2010. It has demonstrated its ability to grow its portfolio of utility assets. In a little more than five years,

it has more than quadrupled its assets to over US\$15 billion at the end of Q1.

The company is much more diversified than ever, consisting of a regulated portfolio of gas, electric, and water utilities complemented by a renewable energy portfolio in wind, solar, hydro, and thermal supported by long-term contracts.

Through 2025, it has a US\$9.4 billion capital investment program to maintain the business mix of roughly two-thirds regulated utilities and one-third renewables.

Algonquin's 10-year dividend-growth rate is about 10%. It pays a U.S. dollar-denominated dividend that equates to an initial yield of 4.5% at US\$15.32 per share at writing.

A high-yield dividend stock

The Canadian stock market yields about 2.6%. So, **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is considered a high-yield stock with a 6.3% yield. It is a well-managed [dividend stock](#), which is demonstrated by it having maintained or increased its dividend every year since at least 2001.

This year, the energy stock is funding its growth capital solely by its cash flow *after* accounting for dividend payments. So, the management does put a priority on protecting its dividend versus pushing for growth.

Pembina's annualized revenue is about \$6.5 billion. And it targets adjusted EBITDA, a cash flow proxy, of about \$3.3 billion.

Energy infrastructure stocks like [Pembina](#) are relatively cheap compared to the expensive stock market and are a good source of current income. Its five-year dividend-growth rate is 7%, though it maintained the same \$0.21-per-share monthly dividend for more than 12 months.

Currently, Pembina is in the process of competing against **Brookfield Infrastructure** to acquire **Inter Pipeline**.

More Foolish food for thought

Interest rate hikes could trigger a dip in these decent yield stocks. Long-term investors should welcome those dips as buying opportunities, as long as interest rates are increased steadily and systematically.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:EMA (Emera Incorporated)
5. TSX:PPL (Pembina Pipeline Corporation)

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