2 Cash-Cow Stocks With Ludicrous Dividends

Description

Not all dividend stocks are the same. Some companies offer lower yields but more reliability and consistency of dividends. Some high-yield stocks come with a high probability of the dividends being slashed if the market dips or the company itself experiences financial trouble.

It's important to understand that no company, no matter how small and volatile it is, takes the decision of slashing its dividends lightly. Slashing or reducing dividends can alienate a lot of investors, and too many exits can put further strain on the company's valuation. Still, when the time calls for it, and it becomes too difficult for the company to keep the lights on *and* pay dividends at the same time, the former usually takes precedence.

Then there are companies that try and sustain their dividends, even when they are going through a tough time (financially). And if such companies also happen to offer juicy yields, it's a good idea to buy before their valuation soars and the yield goes down.

A capital market company

Alaris Equity Partners (TSX:AD.UN) is a bit different from other capital markets or venture capital companies. Alaris doesn't believe that ownership should be taken away from the founders and owners of a business at the expense of their financial troubles. That's why Alaris invests in companies that need outside funding but do not wish to share control over their business with outside investors.

This business model has so far been moderately successful for this Calgary-based company. Most of its capital (about 86%) is invested in U.S.-based businesses and remaining in local companies. The distribution is better in industry segmentation.

Alaris is currently offering a juicy yield of 6.8%, and the company has recently switched its distribution frequency. The company switched from monthly distributions to quarterly ones in 2020. The payouts themselves haven't suffered much, and the yield is sizeable enough to produce $113 a month in tax-free passive income if you invest $20,000 in the company and put it in your TFSA.

A REIT

During 2020, several REITs slashed their payouts, but **Inovalis** (TSX:INO.UN) wasn't one of them. The REIT has a 100% international portfolio, made up of 13 commercial properties in France and Germany. These properties are strategically located at or near city centres within close proximity to public transportation routes, making them more attractive for their tenants.

Inovalis is currently offering one of the most attractive yields in the TSX: 8.6%. And even though the payout ratio is through the roof, the REIT has managed not just to sustain its dividends but also paid a special dividend in June that's over four times in value to its regular payouts.

If the REIT can sustain its payouts, buying now and locking in that marvelous yield can help you start a powerful passive income.

Foolish takeaway

Both dividend stocks can be powerful additions to your portfolio, whether you are looking to start a passive income right away or you are looking into dividend reinvestment. But if you are looking for growth stocks with high yields, these might not be it. Even though they have displayed a decent growth pace in the last 12 months, the recovery-fueled growth is already running out of momentum.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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