3 Dividend Stocks With Oversized Yields

Description

For stocks that combine both dividends and capital growth potential, you might be willing to overlook a smaller yield if it's being offset by decent growth potential. But if you are investing in dividend stocks solely for the purpose of generating passive income, then the yield is probably the most important variable in the equation for you, though you should keep the sustainability of dividends in mind as well.

And if you are looking for dividend stocks that offer oversized yields, there are three that should be on your radar.

A REIT

Inovalis (TSX:INO.UN) has not yet recovered its pre-pandemic valuation. The stock peaked in May, and it has been on a steady decline ever since. It's still down 14% from its pre-pandemic value, yet it's still a bit overvalued. But the stock didn't offer much capital growth potential even before the pandemic, and the main reason to buy it is its dividends.

The REIT is offering a mouthwatering 8.72% yield. The payout ratio is quite high (470%), but the REIT hasn't just sustained its dividends, but it also gave a special dividend to its investors in July 2021, which is equivalent to four and a half of its regular monthly dividends. The revenues are still fluctuating, but if the REIT didn't slash its dividends during the actual financial crisis, it's unlikely to do so during recovery.

A sugar company

Rogers Sugar (TSX:RSI) is one of the most generous dividend stocks in the consumer staples sector. As the largest refined sugar distributer in the country and one of the largest in North America, Rogers has a stable business model and little to fear from the competition. It also holds the distinction of being the world's largest maple syrup producer.

The company engages in both B2B and B2C transactions, so its revenue stream is diversified by more than just its product line-up. As a generous dividend stock, Rogers is currently offering a decent 6.5% yield at a relatively stable payout ratio of 87.8% and had sustained its dividends even when this ratio crossed 100% at least twice in the past five years.

A mortgage company

Mortgage companies saw businesses booming in the last 12 months or so. Property prices skyrocketed in the country, yet the buyers were active in the housing market thanks to low interest rates. This market trend has been powerful for mortgage companies like **Timbercreek Financial** (TSX:TF), which ironically targets commercial real estate but got to ride the growth wave alongside the rest of the real estate market in the country.

Timbercreek currently offers an impressive 7.1% yield, and it has sustained its dividends through unstable payout ratios during two of the last three years. And it *is* maintaining its dividends, despite a payout ratio of 135%. And since the company is focused on commercial properties, it might stay safe even if a housing crash is inevitable and continue rewarding its investors with generous dividends.

Foolish takeaway

The three dividend stocks offer generous yields and can help you start a sizeable passive income if you invest a hefty sum in the companies. And despite the mouthwatering yields, which is sometimes a danger sign, the dividends look quite sustainable. And as we are moving toward a more stable financial future, the dividends might become even more rock-solid in the coming years.

CATEGORY

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TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:RSI (Rogers Sugar Inc.)
3. TSX:TF (Timbercreek Financial Corporation)

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