3 High-Yield Dividend Stocks With Reliable Payouts

Description

High yield and reliability are not necessarily inversely proportional, but they are often perceived that way. When the yield of a company goes too high (thanks to its stock tanking), investors start anticipating a dividend slash. And if the company does cut its dividends, it usually triggers a selloff frenzy.

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But there are several dividend stocks that offer a decent combination of high yield and dividend sustainability. And three of them should be on every dividend investor's shortlist.

A resilient aristocrat

Exchange Income Fund (TSX:EIF) is a resilient Dividend Aristocrat that maintained/sustained its dividends, even when its stock suffered a massive 63% dip and its revenues suffered a 25% dip. The income challenges of the company (during the pandemic) came from the nature of its business: airlines. Even though EIF has a very diversified portfolio of businesses it has acquired, nearly all of them are associated with the airline industry in one way or another.

The company managed to sustain its dividend through a payout ratio of 201% in 2020, and even though the ratio is still over 150%, the probability of the company slashing its dividends is quite low. In fact, if it grows its dividends for the remaining months of 2021, it might be able to retain its status as an aristocrat.

The yield is currently a juicy 5.1%, and it would have been significantly juicier if you had bought the company in March 2020. You would have also benefited from 169% capital growth.

A mortgage investment company

The mortgage business saw a lot of activity thanks to a red-hot housing market, which became a strong revenue growth catalyst for companies like **Firm Capital Mortgage Investment** (TSX:FC), and also kept the valuation in check, despite stock growth. And even after over a year of recovery-fueled

growth, the stock offers a generous 6% yield.

The payout ratio is a bit high, but the company’s revenues have seen a sizeable quarter-over-quarter increase. If it continues for a few more quarters, the stock will become even more attractively valued, and the payout ratio is expected to come down to relatively safer levels. The stock might even offer some more capital growth if it can retain its current momentum.

A building materials company

Doman Building Materials Group (TSX:DBM) is a Vancouver-based company. As one of the largest pressure-treated lumber product producers in North America, the company retains a competitive edge, which allowed the stock to ride the lumber-price-hike wave in early 2021. The stock spiked to almost 230% from its pandemic-crash valuation.

But the main trigger for that powerful growth (the lumber prices) is now gone, and the stock is experiencing a long-overdue correction. And even though it’s bad from a capital-growth perspective, the current fall has been amazing for the yield the company offers. The current yield is a mouthwatering 7.3%, and the payout ratio is quite stable (28.5%).

Foolish takeaway

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The three high-yield stocks can help you start a decent passive income (proportional to the capital you insert in them) that you can rely upon. Investing in very high-dividend stocks only to see the payouts getting slashed during market downturns is not a healthy dividend investing strategy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DBM (Doman Building Materials Group Ltd.)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:FC (Firm Capital Mortgage Investment Corporation)

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Author
adamothman

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