How to Build a Portfolio of 6%-Yielding Retirement Dream Stocks

Description

A 6%-yielding dividend stock portfolio is a dream for many. With that yield, you get $6,000 back annually on every $100,000 invested. That in itself is a nice annual bonus. And if you invest $500,000 or more, you get to a level of income you could potentially live off of. So, there's a lot to be gained by investing in stocks that yield 6%.

The downside is that these stocks are often risky. Stocks don't get extremely high yields for no reason. Often, the very highest yielders out there are being beaten down in the markets or are paying out more than they have in earnings. In many cases, the "high" dividends end up being cut.

But there are, nevertheless, many decent high-dividend opportunities out there. I would look with suspicion at anything yielding over 8%, but there are some very legit companies and funds out there that yield over 6%. In this article, I will explore two methods to get to a 6% dividend yield portfolio, starting with the most obvious.

Method #1: Direct share holdings

The most obvious way to get a 6% yield portfolio is to invest in stocks that have that yield. It's true that such high yields come with certain risks, but the reward is well worth it.

Take **Enbridge** (TSX:ENB)(NYSE:ENB), for example. It's an energy stock that yields 6.66%. That's well above the 6% threshold, generating $6,660 in income per year on a $100,000 position. Enbridge is in a pretty good place as a company right now. Demand for oil is strong, ensuring that its pipelines stay filled to capacity. It has a number of infrastructure projects in the works. And the efforts to shut down Line 5 don't appear to be going anywhere. Enbridge's payout ratio based on distributable cash flow (DCF) is only 72%. So, it has a lot of cash left over after paying dividends.

Overall, it looks like a pretty solid 6% dividend play. And if you find more stocks like it — there are many in the pipeline industry — you could achieve that 6% yield while still being diversified.

Method #2: Managed funds

Another option for getting a 6% yield on your portfolio is to buy a fund that yields 6%. With this strategy, you leave the buying and selling of stocks to a team of professionals and pay them a fee for managing your investments for you.

One fund that has a yield above 6% today is **BMO Covered Call Utilities ETF** (TSX:ZWB). It's a Canadian dividend stock fund that yields 7.53%. The fund does have a fairly steep 0.65% fee, so let's just say 6.8% to be conservative. ZWB invests in high-yield stocks like utilities and telcos. Canadian stocks in these sectors tend to yield between 3% and 5%. The fund also writes covered calls on its holdings and collects premiums to boost the yield even higher. The result is a fund made up of high-yield stocks with an even higher yield than the stocks themselves. One downside of ZWB's yield enhancement is that it puts a cap on capital gains. But if it's just the regular dividend payouts you're after, ZWB may be right for you.

Bottom line

So, there we have it: two proven strategies for acquiring your very own 6%-yielding dividend stock portfolio. Whether you prefer individual stocks or ETFs, there are many paths to 6%. So, keep looking for great dividend investments. You never know how much income you could pull out of them.

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