2 High-Yield Dividends With Stable Payout Ratios

Description

When investing in high-yield dividend stocks, investors are usually (and justifiably) paranoid about whether it's too good to last. But instead of ignoring a great dividend deal, you should look into the dividend sustainability potential. The payout ratio, which determines what segment of the earnings the company is paying in the form of dividends, is a good place to start.

A commercial REIT

REITs are a generous bunch when it comes to dividend yields. However, more REITs tend to cut their payouts during the economically harsh time than companies from other industries. Still, that's a risk you might consider taking when it's associated with a high yield, like what **Slate Office REIT** (TSX:SOT.UN) is currently offering.

The REIT is currently rewarding its investors with a magnificent 7.9% yield. The stock reached its recent peak in June 2021, and since then, it has been slowly sliding down, but this decline is not what the yield can be chalked up to.

And the best part is that high yield comes with a stable payout ratio (as far as REITs are concerned) of 73.8%. There are two other factors that endorse the notion that Slate Office will sustain its payouts. It already slashed its payouts nearly in half in 2019, and it's highly unlikely to do so again and risk alienating the investors. And it sustained its payouts in 2020, even though the payout ratio grew past 100% then.

Apart from the high yield and potential sustainability, the current valuation of the REIT makes it an amazing buy as well.

A mortgage company

The mortgage business has been seeing a lot of activity, especially in the residential segment of the market. The tangibility of real estate and historically low rates attracted a lot of home buyers and investors. Banks and even non-bank mortgage lenders like **Atrium Mortgage** (TSX:AI) potentially saw a decent number of new customers coming their way.

One strength of Atrium Mortgage is the mix of mortgage solutions it offers, which allows it to cater to a wide variety of clients and spread out the risk. Its current mortgage portfolio includes different types of residential properties. And a decent chunk of Atrium's capital is invested in commercial properties as well.

This mortgage company is currently offering a healthy 6.5% yield at a payout ratio of 92.7%, which might seem dangerously close to the 100% mark, but it's the norm for the company and is actually lower than the payout ratios of the last four years.

Foolish takeaway

With about $10,000 invested in each of the two great dividend stocks held in your TFSA, you can easily start a passive-income stream of about $120 a month. And considering the fact that the dividends of the two companies seem to be quite sustainable for now, you may enjoy that income for a very long time, but don't anticipate any increases anytime soon, since neither is an aristocrat.

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