3 Dividend Stocks for Over 5% Yield and A Stable Payout Ratio

Description

Whenever dividend safety is paramount, the easiest thing to do is to stick to the select group of dividend aristocrats. But by doing so, you may be limiting yourself to a small pool of assets and relatively smaller yields.

But if all you need is dividend sustainability (not growth) and the surety that your payouts will not be slashed or suspended without a significant reason/catalyst, then you can extend the pool of potential investments to include dividend stock with stable payout ratios.

If you are craving a yield of 5% or more, there are three dividend stocks that should be on your radar.

A consumer staples company

Rogers Sugar (TSX:RSI) is the largest refined sugar company in the country and the largest maple syrup one globally. However, that leadership position in the industry and a clear competitive advantage hasn't imbued the stock with the right capital appreciation potential. The stock has been hovering around the $5 centre point for the last 10 years.

The dividends, however, are almost as sweet as the products the company makes. The current yield is an attractive 6%, a whole percentage point more than 5, and the payout ratio is 81%, which is quite stable, especially considering the historical payout ratios. This affordable stock with a generous yield could be a great dividend holding, especially for starting a passive income.

A REIT

The Oakville-based **Nexus REIT** (TSX:NXR.UN) is going through a correction that was inevitable, considering the bullish phase it went through after the 2020 crash. This usually stagnant stock is over 135% from its lowest point to the 2021 peak, and one of the reasons behind this unusual investor attraction (for the stock) was its dividends.

The REIT is currently offering a 5.4% yield, which, while quite juicy, is nothing compared to what the company was offering by mid-2020. But even more compelling than the higher yield was the payout ratio that remained 44% despite the economic harshness of 2020. The REIT is currently going through a rebranding phase to better reflect the industrial orientation of its portfolio.

A mortgage company

While the big banks control the bulk of the mortgage market in Canada, there is a significant portion of potential borrowers that don't fit the bill for these banks. This allows companies like **First National Financial** (TSX:FN), the largest non-bank mortgage lender in the country, to fill in the void. The company caters to both the residential and commercial real estate industries.

First National is also the only aristocrat on this list. So you don't just get the 5.3% yield when you invest in this stock; you also get reasonable surety that the company will keep increasing your payouts over time. The dividends are quite attractive from a sustainability perspective as well, and its payout ratio has remained under 100% since 2016.

Foolish takeaway

These three dividend stocks can help you with your long-term dividend goals because even though two of them aren't aristocrats, they are stable businesses with healthy payout ratios and generous yields. Whether you want to start a passive income or reinvest the dividends to grow the size of your stake, the companies are valid options.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:NXR.UN (Nexus Real Estate Investment Trust)
3. TSX:RSI (Rogers Sugar Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. jguest

Category

1. Dividend Stocks
2. Investing

Date
2025/09/12
Date Created
2022/01/26
Author
adamothman