3 of the Safest High-Yield Dividend Stocks in Canada

Description

While the definition of high-yield and safe stock varies from investor to investor, a high yield is quite often associated with shaky dividends. That's usually because a high yield often indicates a stock moving downward. If it's for the wrong reasons — i.e., weak financials — it may directly impact a company's ability to pay dividends.

There are numerous ways to judge a safe high-yield stock, including historical performance, resilience, and healthy payout ratios. And if your threshold for a high yield is 5%, there are three stocks that should be on your radar for representing at least one of these "safe" traits.

A resilient stock

The pandemic and the 2020 crash were terrible for most companies, but it was worse for some, including airlines and associated businesses. **Exchange Income Fund** (TSX:EIF) was one of the worst-hit stocks and fell 63% from its pre-pandemic value, thanks to its association with the airline industry. However, the stock showed incredible resilience, and it's already trading at a slight premium to its pre-pandemic value.

For a decent portion of 2020, EIF boasted a yield much higher than the current 5.1% and sustained its dividends through a dangerously high payout ratio, more than double its 2019 levels.

That was the resilience stress test for its dividends when its stock and financials were both suffering, and since it didn't just maintain its payouts, it's back to growing them as it did before 2020, making it one of the safest high-yield bets in the TSX.

A stock with a healthy payout ratio

Manulife (TSX:MFC)(NYSE:MFC) has more substantial credentials than being a stock with a healthy payout ratio. It's one of the largest insurance companies in the world and a well-known insurance leader in Canada. It has a geographically diverse business and multiple revenue streams, giving it financial stability. It has a broad economic moat, making it a healthy long-term investment.

Currently, the stock is offering a high yield of 5.8% at an incredibly safe payout ratio of 26.1%, and it's not a unique occurrence. Since 2012, the payout ratio has remained lower than 50% for eight years. Thanks to its attractive valuation, it's also an excellent time to buy Manulife right now.

As an aristocrat, Manulife's dividend growth has been quite decent, so holding it long-term as a passive income generator is also a bright idea.

A high-yield stock with a stable history

Unlike the other two stocks that are high-yield by very modest/conservative standards, **Fiera Capital** (TSX:FSZ) offers a high yield by the most ambitious standards. The company is currently offering a hefty yield of 9.36%, and even though the payout ratio seems relatively high at 160%, it's healthy compared to the last few years.

And this history and commitment to sustaining and even growing the dividends are why Fiera can be considered one of the safest high-yield dividend stocks. Even though the growth has been relatively modest, it has always been there and is enough to keep inflation at bay. And if you can lock in the current yield, it can become quite a potent passive-income source for you in the long term.

Foolish takeaway

The three dividend stocks are not just safe at the moment. If you consider their histories and characteristic strengths, it's safe to assume that these stocks will remain relatively safe in the future as well. So, you can either buy now or wait for bigger dips to lock in the best possible yield, then hold them long term, which might result in modest capital appreciation as well.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:FSZ (Fiera Capital Corporation)
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