3 TSX Stocks With High Dividend Yields

Description

In today's high inflationary environment, getting high dividend yields will be tremendously helpful to any Canadian investor. What's considered a high yield? According to Lowell Miller's *The Single Best Investment*, which encourages buying dividend-growth stocks, a high yield would be 1.5 to two times that of the market yield.

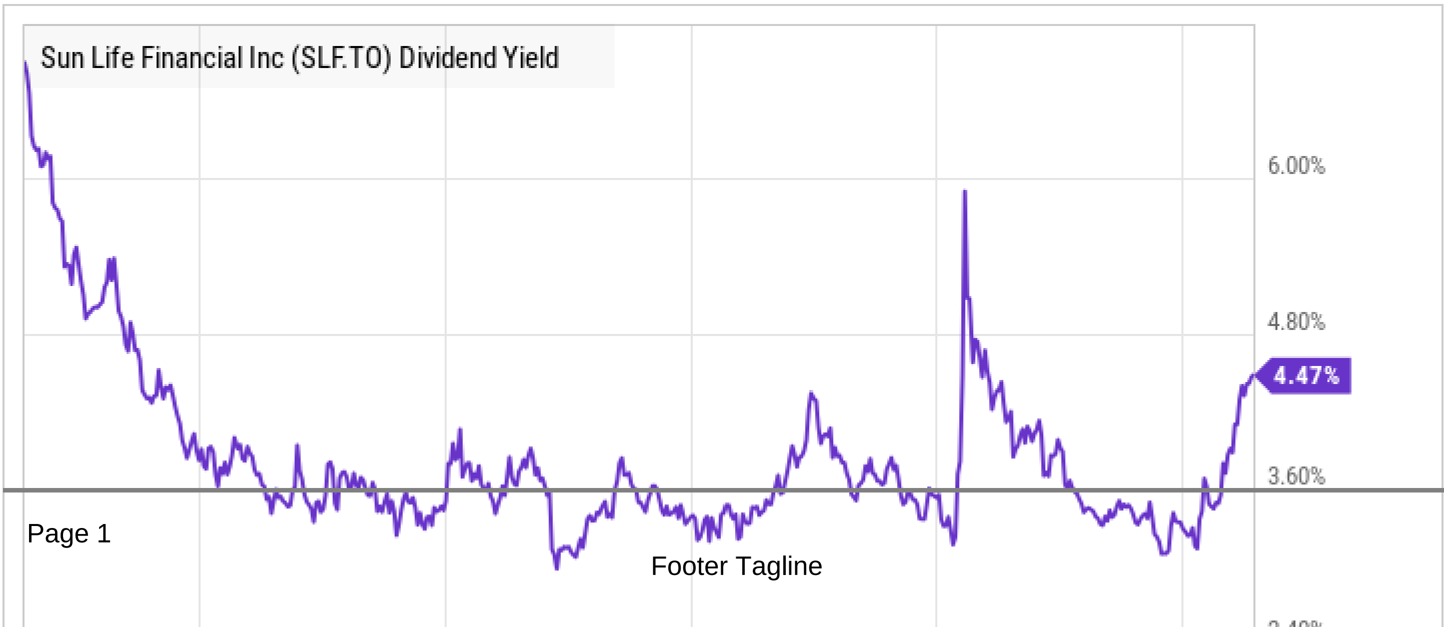
At writing, the Canadian stock market, using **iShares S&P/TSX 60 Index ETF** as a proxy, yields about 3%. Therefore, a dividend stock that yields at least 4.5-6% would be considered high yield.

Here are three TSX stocks that offer high dividend yields.

Sun Life stock

Life and health insurance company **Sun Life** (TSX:SLF)(NYSE:SLF) fits the high-yield criterion. At $57.22 per share at writing, it offers a yield of 4.8%. The dividend stock is a darling in the industry, as it commands a lower dividend yield and a higher price-to-earnings ratio than its peers.

At about 9.6 times earnings, SLF stock trades at a meaningful discount of about 19% from its normal long-term valuation. Since its yield is also at the high end of its historical yield range, as shown in the chart below, it's a good time to accumulate the quality shares for passive income.



SLF Dividend Yield data by YCharts

Sun Life stock's payout ratio is estimated to be sustainable at about 46% this year. Moreover, it has retained earnings that can cover about 9.7 years of dividends. Its five-year dividend-growth rate is 7.4%.

Assuming a reasonable earnings-growth rate of 7% and that the stock returns to its fair valuation, an investment today could deliver annualized returns of about 15% over the next five years. The Rule of 72 indicates that it can potentially double investors' money in 4.8 years.

Bank of Nova Scotia stock

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is another undervalued dividend stock investors can trust for a high yield. At $75.86 per share at writing, the big bank stock offers a juicy yield of 5.4%. It trades at about nine times earnings, which is a discount of 20% from its long-term normal valuation.

Its payout ratio is projected to be sustainable at about 47% this year. The bank stock's five-year dividend-growth rate is 4.6%. Assuming an earnings-growth rate of 5%, and the stock returns to its fair value, an investment today could deliver annualized returns of about 12.6% over the next five years. So, buyers of BNS stock today could double their money in about 5.7 years.

Enbridge stock

Enbridge (TSX:ENB)(NYSE:ENB) is a juggernaut in North American energy infrastructure. It primarily transports and stores energy. Its resilient business model results in cash flows that are largely unaffected by commodity price changes.

Not surprisingly, it is a long-time Canadian Dividend Aristocrat for having increased its dividend for about a quarter of a century. Many income and retired investors rely on its generous dividend to pay their bills. It yields about 6.1% at writing. So, it exceeds our criterion for a high yield.

The TSX stock is fairly valued, and investors can expect dividend growth of about 3-5% per year over the next few years.

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2. NYSE:ENB (Enbridge Inc.)
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