



2 High-Yield Utility Stocks to Earn Passive Income for Years

Description

High-yield stocks never go out of favour. This is because they're a fantastic way to get our money working for us. And they offer the highest of rewards. Utility stocks are famously reliable and safe. They're a great place to turn to for passive income. In short, they've been the anchors for many portfolios.

High-yield utility stocks offering reliable passive income

Often, high yields come with elevated risks. This is Investing 101 — the riskier an investment is, the higher the yield must be to compensate investors for that risk. Today, we have a wonderful dichotomy of sorts. We can get the high yields without taking on the typical corresponding extra risk. To be fair, this is due partly to an increase in the overall risk in stocks these days. Rising interest rates and inflation have certainly seen to that.

But the strongest and best-quality companies almost always experience these economic troubles as a temporary setback. Thus, they're pricing in a risk that doesn't really apply to them in the long run. This makes them excellent opportunities.

Without further ado, here are two high-yield utility stocks that are great opportunities today.

Enbridge stock is yielding 6.25%

A 6.25% yield is one that might typically be associated with a risky investment. **Enbridge** ([TSX:ENB](#)), however, is as reliable as they come. Enbridge is one of Canada's leading energy infrastructure companies. Its assets are an essential part of the Canadian economy. This makes Enbridge stock a defensive, highly reliable one that generates massive cash flows every year.

So, why is it a high dividend yield stock yielding 6.25%? Well, there are two reasons. The first is that Enbridge has increased its dividend very generously over the years. The fact that Enbridge's dividend has a 26-year compound annual growth rate (CAGR) of 10% speaks volumes. The other reason is that

Enbridge stock has been met with skepticism over the last few years. For example, a few years ago, pipelines were viewed as undesirable, as [investors focused on environmental concerns](#). Today, these concerns seem to have been pushed back into the background, but there are new concerns.

As a utility company, Enbridge has quite a bit of debt on its balance sheet. This is just the way it goes in capital-intensive businesses such as this. With interest rates rising, there's concern about how this will affect Enbridge in the coming years. As the company's debt is refinanced at higher rates, this will eat away at its profitability through higher interest expense.

TC Energy stock is yielding 5.56%

TC Energy ([TSX:TRP](#)) is another one of Canada's energy infrastructure giants. Its assets consist of more than 92,600 kilometres of natural gas pipelines. Also, it has 4,900 kilometres of oil pipelines, 653 billion cubic feet of gas storage, and 6,600 megawatts of power generation.

The demand forces at play in TC Energy's business have been evident over the years. In fact, the company's most recent quarter is a good representation of that. Firstly, demand remained high in the quarter. For example, TC Energy saw record flows in its U.S. natural gas segment. Also, its liquids segment achieved monthly record average volumes. Lastly, TC Energy's Power and Energy Solutions segment saw a strong 41% increase in EBITDA. This was driven by record energy prices in Alberta. It was also driven by strength at 48%-owned Bruce Power, a nuclear power plant that supplies 30% of Ontario's power.

This all came together in a 10% increase in both earnings and earnings before interest, taxes, depreciation, and amortization in the quarter. TC Energy's management has been using a lot of this cash flow to reduce debt but also to continue to invest in the many projects available in this "opportunity rich" environment.

TC Energy is a high-dividend-yield stock that's currently yielding a very generous 5.56%. It's a yield that's backed by the company's predictable cash flows, which are made up of largely regulated and/or long-term fixed price contracts — an ideal passive-income stream.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. TSX:TRP (TC Energy Corporation)

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Date

2025/08/24

Date Created

2022/11/23

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