2 High-Yield Dividend Stocks That Could Realistically Double In 5 Years

Description

The best of both worlds – that's the ideal "bar" for people looking to buy dividend-paying growth stocks. It's challenging but undoubtedly achievable. You can buy decent dividend-paying growth stocks when they are heavily discounted, locking in a high yield.

Once the stock starts recovering and regrowing at its typical pace, you can benefit from the growth. But if you also want these prospective picks to become undervalued stocks, you may severely limit your options.

It's entirely possible to lock in a high yield compared to the stock's typical valuation. But looking for a conventionally high yield in stocks that may have the potential to double in five years is relatively challenging, though possible.

A power generation company

TransAlta Renewables (TSX:RNW), with its 50 facilities spread out in three countries, is one of Canada's largest power generation companies. Its specialty used to be hydropower, but it has now emerged as one of the most promising players in the wind power domain, which constitutes the most significant portion of its portfolio of assets and is the most significant source of cash flow.

TransAlta has rarely been a consistent growth stock, but it has come close to doubling its investors' money at least three times in the last seven years, and none of the upward "trends" lasted more than one and a half years.

It's trading at a 53% discount right now, and the yield has jumped up to a mouthwatering mark of 8.4%, making it a high-yield stock even by the most demanding investor standards. And in its currently slumped form, it's well-positioned for another growth trend within the next five years, which may double your capital.

A private lending company

With a yield of 3.3%, **goeasy** (TSX:GSY) may not be a high-yield stock per se, but if we consider its yield in the past, the return is quite attractive. This robust growth stock is still languishing at a price 50% below the peak it achieved in the post-pandemic market. It may recover in a healthy market, but the movement, at least for now, is downwards.

As for growth, goeasy has a much stronger background compared to TransAlta. The stock doubled in less than a year, just before the pandemic. And even if we look farther back (before 2019), the stock has had a great run. And if the recession in 2023 doesn't last too long, this compelling dividend aristocrat can easily double in the next five years, assuming a strong bullish phase in a market recovering from the recession.

Foolish takeaway

Both stocks may go down further before recovering by leveraging the momentum of a TSX bull market. This gives you a chance to lock in an even more attractive yield than the ones the two companies are offering right now. And even though both stocks have a strong dividend history, keeping an eye on the payout ratio would be a smart thing to do to ensure that the company can still *afford* its payouts.

CATEGORY

1. Dividend Stocks
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2. TSX:RNW (TransAlta Renewables)

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