3 Ultra-Safe, High-Yield Dividend Stocks

Description

When investors buy a stock primarily for its dividend, the one thing they desperately don't want to happen is a lowering or eliminating of the dividend.

Investors want to be paid

So how do you figure out how safe the dividend is? What metrics measure the safeness of a company's dividend?

The dividend-payout ratio is the best measure of dividend safety. The dividend-payout ratio is the percentage paid out to stockholders of the total net income of a company.

The dividend-payout ratio is basically common sense. If a company pays out 100% of its net profits and there is a dip in profits across one quarter or one year, then the dividend payment is threatened. But if the dividend payment is only 30% of a company's net income, then it is unlikely to be lowered or eliminated.

Top dividend stocks with low payout ratios and high yields

Three top dividend stock picks are **Corus Entertainment Inc.** (TSX:CJR.B), **Boardwalk REIT** (TSX:BEI.UN), and **Genworth MI Canada Inc.** (TSX:MIC) because they have great coverage on their dividends in addition to having respectable, consistent, long-term dividend-growth rates.

Corus Entertainment Inc. boasts a 9.5% dividend payout with a low 24.5% dividend payout ratio and a dividend-growth rate of 11.1% over the last five years.

Boardwalk REIT sports a 4.81% dividend payout with a very meagre 21% dividend payout ratio and a decent 6.1% dividend-growth rate over the last five years.

Genworth MI Canada Inc. pays a 5.29% dividend with a 43% dividend payout ratio and an 11% dividend-growth rate over the last five years.

These stocks offers portfolio diversification through investment in three different industries. Purchasing all three stocks in equal measure achieves a 6.53% blended dividend payout.

Advantages to holding these high-yielders

If the profits in the company go down appreciably, the dividends can still be paid out comfortably because the payout ratios are so low on each of these stocks.

There is room for these companies to increase their dividends in the future because their dividend-payout ratios are so low.

These companies' dividend rates are high, making their stocks more attractive to investors compared to their peers. Increased buying demand should raise the stock prices of these companies.

By retaining a high percentage of their net income, these companies have more capital available to invest in organic growth, increasing the possibility of higher profits and larger dividend payments.

One caveat

Western governments are all deeply indebted, and demographics are working against them. Sooner or later, governments will be forced to resort to "soak-the-rich" taxes.

Thus, one caveat on purchasing any dividend stock for the long term is the possibility that the Federal Government could change its tax policy, so the yields are taxed at rates higher than today's, decreasing anticipated income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GNW (Genworth Financial, Inc.)
2. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
3. TSX:CJR.B (Corus Entertainment Inc.)

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