

Dividend Yields

For fifteen years those of us with cash savings endured miserly returns. For the last 15 months or so, there has been a bit of a respite, with some reasonable returns available on Fixed Term Bonds, and Cash ISAs. However, with interest rates having peaked, that era looks likely to end. It may be time to look at a different source of income – that of companies that have a record of paying decent dividend yields.

A word of caution – if you purchase shares in a company whose share price has fallen substantially in the course of the year, the dividend yield for that company may look impressive at that point, as the yield is the amount paid out per share divided by the price of each share. However, the fall in share price value may be a reflection of long term problems in that company, so might be one to avoid. My preference would be for companies whose value remains stable (or gently growing), and who have a policy of maintaining, or increasing, dividend payments consistently over a long period.

Hargreaves Lansdown tips three companies who offer a good dividend yield (I hold investments in all three).

Primary Health Properties. They build medical centres for GP practices, which they then rent out to them. That means their income is very low risk. Because they are a Real Estate Investment Trust (REIT), they are obliged to pay out the majority of its profits in the form of dividends, though it does limit their ability to raise new investment funds. They are fairly highly leveraged, which has hit them a little whilst interest rates have remained high, though that issue is likely to reduce in impact, as rates fall. Dividend Yield 7.42%

Legal & General. This company is best known for insurance, but is also the management company for investment funds. In total they have an annual profit of £1.7bn. High interest rates may have hurt them a little, but they have a strong balance sheet, and their Dividend Yield of 8.72% is well supported.

National Grid. This company owns and operates energy infrastructure in the UK, and also in parts of the US. It aims to identify and reflect shifting trends in energy demand. Its annual profit is currently £4.8bn. With a reliable income stream, it pays out a respectable Dividend Yield of 5.68%. HL have also provided their list of the 10 highest paying FTSE 100 companies, in terms of dividend yield.

These figures are based on analyst forecasts of forward dividend yield, based on current share prices.

1. **Phoenix Group 11.09% (Insurance)**
2. **British American Tobacco 10.15%**
3. **M&G 10.07% (Investment Fund Management Co)**
4. **Legal & General 8.72%**
5. **Imperial Brands 8.35%**
6. **HSBC Holdings 8.12%**
7. **Aviva 7.55% (Insurance)**
8. **Vodafone Group 7.12%**
9. **Taylor Wimpey 6.44%**
10. **Rio Tinto 6.19%**

Personally, I don't like to invest in tobacco companies, and I divested myself of my holdings in HSBC because of my concerns over their links with the Chinese property market, but I do have investments in all the others.