Secure Your Retirement With These 3 Dividend Growth Machines

Description

Many investors are nervous about retirement.

And why wouldn't they be? Interest rates continue to hover right around record lows, making a portfolio consisting mainly of fixed income assets a reality for only the ultra wealthy. Stock markets are bumping up against record highs again, making the most skittish of investors nervous about another selloff like in 2008-09.

And, of course, there's the big issue on most investors' minds: What if I run out of money?

Investors just retiring now can count on another 30 years of reasonably productive life ahead of them. And that's great — assuming there's enough money to cover all those golden years. Fortunately for investors, it isn't that difficult to get a growing source of income from some of Canada's largest and most secure companies.

Since these names have traditionally grown dividends faster than inflation, all an investor needs to worry about is having enough income to cover year one. These dividend growth machines will take care of the rest.

Saputo

Saputo (TSX: SAP) is Canada's largest dairy processor and manufacturer, along with significant operations in the United States and Argentina. The company also recently acquired an Australian division, which gives it access to the Asian market, a part of the world that traditionally hasn't been able to afford many dairy products.

Saputo is a growth by acquisition name, since the dairy business in North America is extremely fragmented. Its formula is simple — it acquires a small dairy processor's assets, adds it into the company's fold, and then creates efficiencies wherever it can. It leads to small processing plants being closed down, but also to increased profits for shareholders.

The company continues to grow revenue nicely, averaging a 5% gain over the past four years. Aside from a slight hiccup in 2012, earnings have increased each year as well. Demand looks to be strong in the years ahead because of the health aspects of milk and yogurt, and growth in non-traditional markets.

Even though the company's current dividend is a mere 1.5%, Saputo is still a good choice for dividend growth investors. The current payout ratio is just 34% of net earnings, and that's even after 14 consecutive dividend increases. Look for the company start to take its dividend much more seriously.

Telus

With all due respect to its competitors, **Telus** (TSX: T)(NYSE: TU) may be the finest telecom company in Canada.

Its wireless results continue to impress quarter after quarter, with the company even recently passing **BCE** as Canada's second largest wireless carrier. Telus continues to improve its average revenue per user, an important metric in the wireless industry, and it continues to have a lower churn rate than its competitors, a clear sign the company is keeping its customers happy.

Telus also has a growing television service, which is giving established players fits, even though Telus' TV service is just in its infancy. And since the company isn't in the media content business, all it needs to worry about is passing on the high costs of acquiring content to its customers.

Management has pledged to grow dividends twice annually until 2016, and has rewarded investors with a 50% increase in its quarterly payout since 2009. The company boasts a 3.8% current dividend, making this stock the perfect mix of current yield and dividend growth.

National Bank

Even though **National Bank** (TSX: NA) has a market cap of almost $15 billion, it often gets forgotten about in the shadow of Canada's big 5 banks. Because of this, investors can pick up the Quebec-based financial behemoth at a nice discount compared to its peers.

With a dividend yield of more than 4% and a price-to-earnings ratio of right around 10x, National Bank is one of the cheapest financial stocks in the country. It has more than doubled its dividend since 2006, and the company is growing revenue at a faster pace than most of its competitors.

One explanation for National Bank's recent weakness is the overhang from the Quebec election. With the separatist movement in the province effectively squashed, investors who were nervous about the name could pile back in. And if not, investors are still paid generously to wait.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:NA (National Bank of Canada)
3. TSX:SAP (Saputo Inc.)
4. TSX:T (TELUS)

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