



3 of the Best Dividend Champions for Any Retirement Portfolio

Description

Low interest rates and growing economic volatility are threatening the retirement plans of many Canadians. They are making the hunt for yield increasingly difficult, with many traditional income investments offering returns well below their needs.

One of the few remaining investment opportunities offering a decent yield and a growing income stream are blue-chip, dividend-paying stocks. But it is important to identify companies with solid underlying businesses, strong track records, low earnings volatility, and history of paying consistently growing dividends.

Let's take a closer look at 3 stocks which I believe meet all of these characteristics and should form part of every retiree's investment portfolio.

Enbridge Inc.

Canada's largest pipeline and midstream company **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)) has consistently hiked its dividend for the last 18 consecutive years.

This gives it a yield of 2.6%, which may not appear that impressive to income-seeking investors, particularly with some players in the patch paying monster yields of well over 10%. But it is the sustainability of Enbridge's dividend coupled with an extraordinary compound annual growth rate of 10%, which makes it particularly appealing.

Enbridge's dividend is growing at a significantly faster rate than inflation, which over the same period averaged 3.7% annually. It is also offering a superior return to many traditional income investments associated with retirement investing, such as government treasuries and guaranteed investment certificates.

I expect this trend to continue with Enbridge being Canada's dominant provider of pipeline and midstream services to the patch. This, in conjunction with its wide, multifaceted economic moat, protects its competitive advantage, boosts earnings stability, and virtually ensures long-term earnings growth.

Fortis Inc.

Another dividend champion that should form part of every income-hungry investor's portfolio is electric utility **Fortis Inc.** ([TSX: FTS](#)).

Like Enbridge, it has a solid track record of dividend payments and has hiked its dividend almost every year since inception in 1972. This now gives it a tasty yield of 3.5% along with a compound annual growth rate since the inception of 6%.

More importantly, for income investors, Fortis possesses a wide economic moat because of the steep barriers to entry, significant regulation, and high capital costs of operating in the utilities industry. This protects its competitive advantage and, when coupled with the inelastic demand for electricity, reduces earnings volatility and boosts the potential for revenue growth.

These attributes certainly leave Fortis well placed to continue hiking its dividend, which over the long term will see it continue to provide returns in excess of inflation and other income-yielding investments.

BCE Inc.

Another standout addition to any dividend growth portfolio is Canada's largest telecommunications provider **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)).

While the economic moat typically associated with the telecommunication industry has been eroded by deregulation and technology, BCE holds a dominant market position. This helps protect its competitive advantage, while reducing earnings volatility.

BCE has consistently paid a steadily growing dividend since 1949 and at this time has a juicy yield of 5% coupled with a payout ratio of 93%. While the payout ratio maybe a little high for comfort, I am confident the dividend is sustainable and will continue to grow. This is because of BCE's dominant market position and the range of initiatives it is has implemented to grow its business along with reducing costs and optimizing its capital structure.

All three companies offer retirees solid dividend yields coupled with regular dividend hikes, which will continue to boost their income stream. They also have relatively low earnings volatility and solid earnings growth potential due to their wide economic moats. This makes each company a core holding in any income-focused retirement investment portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:FTS (Fortis Inc.)

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