Attention Retirees: 3 Dividend Stocks You Need to Own

Description

I've had enough with the tired image of a senior living on a fixed pension.

There's a simple way to build regular cost-of-living adjustments into your retirement income: dividend growth stocks.

Retirement planners are usually focused on how much income you will need to maintain your standard of living. But one factor that is usually overlooked is inflation. Over time, property taxes rise, along with medical expenses and fuel prices.

A sad fact is that seniors are sometimes forced out of their homes because prices are climbing all around them. Retirees need cost of living adjustments. Otherwise, rising prices can erase their purchasing power as the years go on.

Thankfully, there are dozens of Canadian companies that have raised their dividends faster than inflation. Here are three of my favourites to get you started.

1. BCE Inc

What is the most important trait Warren Buffett looks for in a business? An economic moat. In the same way moats once protected castles from attackers, an economic moat protects a company from competition.

BCE Inc (TSX:BCE)(NYSE:BCE) has a moat a mile wide and filled with angry mutant sharks. The company's telecom network would cost hundreds of billions of dollars to replicate. And even if you could afford to enter the business, most of BCE's customers are locked into long-term contracts.

That's why smaller players have failed to gain any traction in the telecom industry, in spite of the government's best efforts to encourage competition. As a result of BCE's nearly impenetrable moat, the company has been able to increase its dividend at a 6.5% annual clip over the past decade — three times faster than inflation.

No doubt, shareholders will be able to count on steady income (and overpriced cable bills) for decades to come.

2. Fortis Inc

You don't find many stocks like **Fortis Inc** (TSX:FTS). That's because this is the only business in Canada with such a stable and broad portfolio of monopolistic properties.

Fortis owns electric utilities in New York, hydroelectric dams in Belize, hotels in eastern Canada, and gas distribution assets in British Columbia. More than 90% of the company's assets are regulated. That practically guarantees a predictable stream of revenue.

For shareholders, this means a growing source of dividend income. Since Fortis went public in 1972, the company has increased its distribution every single year. If you had bought and held the stock over that period, the yield on your original investment would be more than 50% today.

3. Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) gives you all the perks of being a landlord without the headaches.

This company owns a "recession-proof" niche in the real estate business consisting of manufactured homes and mid-tier apartment buildings. Sure it's not fancy. But these assets will continue to crank out cash flow even while the rest of the economy is under pressure.

Of course, what we're most interested in is the company's steady distribution. Because of how this trust is structured, it's required by law to pay out all of its income to investors. That's how it has been able to deliver such consistent, oversized rent cheques.

Since Canadian Apartment Properties started making payments in 1998, this firm has never missed a distribution or lowered its total annual payments. Today, the trust pays investors a monthly payment of $0.10 per unit, which comes out to an annualized yield of 4.3%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
4. TSX:FTS (Fortis Inc.)

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