2 Income Stocks to Help Retirees Sleep at Night

Description

Let's face it, the world of investing can be fraught with stress, uncertainty, fear, and even panic—especially if we are relying on our stocks to provide supplemental income.

Think I'm exaggerating? Just ask anyone who used to rely on oil producers for their monthly grocery money.

Fortunately, it's still possible to find a company that churns out solid dividends year after year, and has a low enough beta that you don't have to reach for the Pepto bottle every morning before you turn on your favourite business channel.

Here are the reasons why I think **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Telus Corporation** (TSX:T)(NYSE:TU) fit the bill and are strong picks for a retirement income portfolio.

Toronto-Dominion Bank

Toronto-Dominion arguably runs Canada's best retail-banking operation. The company consistently wins customer service awards and the employees do a great job of getting clients to sign up for all kinds of extra products. One thing investors often don't realize is that TD's U.S. branch network is even larger than the Canadian one.

Over the past 10 years, TD has invested billions in building a strong U.S. business that runs from Maine right down to Florida. With the oil rout looking like it could hurt the Canadian economy and possibly pop our housing bubble, some analysts say you should avoid the banks, but TD is better positioned to ride out a slowdown than most of its peers.

The conservative nature and diversity of TD's income stream is a key point for investors to consider. Earnings from the U.S. retail operation continue to grow and the strong American dollar is helping boost overall profits. TD has limited exposure to the energy sector and it doesn't rely heavily on capital markets to juice its numbers.

TD pays a dividend of $2.04 per share that yields about 3.8%. The company has a 10-year annualized dividend growth rate of 10% and the stock price has more than doubled over that time frame. The shares are currently trading at a reasonable 11 times forward earnings and 1.7 times book.

Telus Corporation

Telus is Canada's fastest growing communications company. Unlike its peers, who have ploughed billions into media and sports assets, Telus has decided to focus on simply being the country's distributor of choice.

Telus continues to add new subscribers to its Telus TV, broadband Internet, and wireless services. The company is also building a strong business providing digital health solutions to physicians, hospitals, and their patients. The products enable the exchange of vital medical information in a reliable and secure format.

One reason for the company's success is an unwavering commitment to customer service. Telus boasts the lowest postpaid churn rate in the industry, and enjoys the highest average revenue per customer.

Telus also has a strong track record of returning capital to its shareholders. Since 2004, the company has increased the dividend 15 times and returned a total of $11 billion to stockholders through distributions and share buybacks.

The dividend is currently $1.60 per share and yields about 3.8%. Shareholders have enjoyed a 17% annualized dividend growth rate over the past 10 years and the stock has increased 118% during that time frame.

Telus trades at 15 times forward earnings and 3.2 times book. The stock is expensive right now compared with its five-year average, but the premium valuation should hold as long as interest rates remain low.

Investing in stocks always involves taking on some risks, but Toronto-Dominion and Telus are both best-in-class companies that income investors should be able to rely on for consistent distributions.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TU (TELUS)
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