These 3 Dividends Are as Good as Pension Income

Description

Defined benefit pension plans have long been a way to guarantee a steady retirement. But in today's economy, pensions are on the decline. More companies are offering defined contribution plans, which don't guarantee any regular retirement income. And more work is being done on a contract basis, which of course doesn't come with pension benefits at all.

If you're still entitled to steady pension payments, you're one of the lucky ones. Otherwise, what should you do?

One option is to buy an individual plan from a life insurance company. But in today's low interest rate environment, you'll need to make big contributions to get a reasonable pension income.

Fortunately, there's a better option: high-quality dividend stocks. Such an option may sound scary, especially with so many dividend cuts announced in the last year (mainly in the oil sector), but there are some companies with exceptionally sustainable business models, meaning their dividends are very safe.

Three of these companies are highlighted below. On average, they yield 3.9%. So, if you're looking for $3,500 per month, you'll need about $1.1 million saved up.

1. Fortis

There's arguably no company in Canada more boring than distribution utility **Fortis Inc.** (TSX:FTS). The company owns power-generating assets in regulated markets, which benefit from very stable pricing, ensuring that revenue stays smooth.

Fortis also has a wonderful track record as a dividend payer. In fact, the company has increased its dividend every year for the past 42 years! That's one of the longest such streaks of any public company in Canada.

Currently, the stock yields 3.7%, which may not seem like much at first, but is a great number for a company with this track record. It should be a core holding in any dividend portfolio.

2. TransCanada

There's a big difference between producing energy and transporting it. **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) is a perfect illustration why. The company's pipelines are secured by long-term contracts, with practically no exposure to commodity prices. So, like Fortis, revenue stays smooth, which is perfect for paying a steady dividend.

There has been no shortage of headlines about TransCanada's Keystone XL pipeline, which may never get built. But there's plenty of demand for pipelines thanks to sky-high energy production in North America. And pipelines will always have better economics than crude by rail.

TransCanada currently yields a healthy 3.9%. Again, that's a solid number for a company with TransCanada's strengths.

3. Bank of Nova Scotia

In most countries, banks are not thought of as reliable dividend payers. But in Canada, none of the Big Five banks have cut their payouts since World War II. Thus, they make a great holding for anyone looking for a solid stream of income.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a perfect example. It is Canada's most international bank, meaning the company is less exposed to the shaky Canadian economy than any of its rivals. Better yet, this international presence should be an excellent source of growth for decades.

And despite paying out only about half of net income to shareholders, the dividend still yields over 4%. As far as I'm concerned, that's as good as a pension.

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1. Dividend Stocks
2. Investing

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3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:FTS (Fortis Inc.)
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