2 Stocks to Help Retirees Start an Income Portfolio

## Description

Many seniors rely on dividend income to help them cover the gap between their pension payments and monthly living costs.



This wasn't always the case. In the good old days fixed-income investments like GICs and Canada Savings Bonds paid enough interest that retirees didn't have to take on the risks associated with owning equities. Unfortunately, the world has changed and interest rates aren't likely to get much better anytime soon.

That sounds depressing, but here's the good news: income investors can still buy reliable stocks that come with reasonably low capital risk and have long histories of steady dividend growth.

Let's take a look at **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Telus Corporation** (TSX:T)(NYSE:TU) to see why they are good picks.

**Royal Bank**

There is a lot of chatter in the market about the risks facing Canadian banks as the energy sector implodes and home prices continue their trajectory to nosebleed levels.

Royal is not immune to the woes of the Canadian economy, but the bank is very capable of riding out a prolonged period of difficult times. With the shares now trading at just 10.7 times forward earnings, it looks like most of the worries are already priced in.

Royal gets 37% of its revenue from international operations, so this acts as a built-in hedge against weakness in the domestic market. Earlier this year, the company announced a big wealth management acquisition in the U.S., and that should help balance out the revenue split even more as the U.S. business expands.

The company continues to deliver solid earnings results and even raised its dividend last month whenit released its Q3 results. Investors should take that as a sign that management is very comfortablewith the revenue and profit outlook, despite the economic headwinds.

Royal pays a quarterly dividend of $0.79 per share that yields about 4.2%. The company has increased the payout nine times in the past five years, and investors should see the positive trend continue.

**Telus Corporation**

The Canadian banks operate in a cozy oligopoly with few competitive threats, but the telecom companies have it even better.

This might not be good for consumers, but it is great for shareholders. Telus is one of the giants and the company continues to win new customers by providing the best customer service in the industry and offering attractive packages for its Telus TV, broadband Internet, and wireless services.

A customer-first strategy isn't cheap, but the move is paying off for Telus. The company enjoys the lowest mobile churn rate in the country and regularly earns the most money per mobile user.

In fact, the company is one massive cash machine and Telus is very good about returning that money to shareholders.



Telus pays a quarterly dividend of $0.42 per share that yields 4%. Management has increased the payout 11 times in the past five years and the steady increases should keep on coming.

If you aren't happy about your bank fees or your telecom expenses, you can at least invest in Royal and Telus to get some of the money back.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TU (TELUS)
3. TSX:RY (Royal Bank of Canada)
4. TSX:T (TELUS)

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aswalker