2 Reliable Dividend-Growth Picks for Retirees

Description

Many retirees depend on investment income to supplement their pensions.

In the good old days they could rely on GICs or even savings accounts to provide enough interest to bridge the spending gap, but the plunge in interest rates has wiped out that option. As a result, seniors have to be more creative when it comes to finding extra income.

One way to generate the required funds is to hold dividend-growth stocks.

The drawback, of course, is that equities carry risk. The meltdown in the energy sector over the past two years has been a nasty reminder that not all dividend stocks are the same.

When looking for income picks, it is generally a good idea to search for names that have a long history of dividend growth that is supported by rising revenues. The companies should also possess sustainable competitive advantages and ideally operate in industries with limited competition and high barriers to entry.

With this thought in mind, I think **Telus Corporation** (TSX:T)(NYSE:TU) and **Fortis Inc.** (TSX:FTS) are solid picks.

Telus

Telus is Canada's fastest-growing national telecommunications provider in a sector that has very few serious competitors. In fact, the term oligopoly is often attributed to the Canadian market.

Part of the company's success comes from its commitment to providing top-notch customer service. All telecom companies say they care about keeping customers happy, but Telus actually delivers on the promise, and the numbers indicate the strategy is working.

Telus has the lowest mobile churn rate in the industry and has racked up 21 straight year-over-year quarterly gains in its blended average revenue per user.

Investors are concerned the new pick-and-pay rules for TV subscriptions will impact revenues for service and content providers. The initial findings suggest subscribers are not getting much of a discount unless they eliminate some of their favourite shows, so subscriber revenues are not likely to fall very much.

On the content side, there is more risk, especially for some of the channels and programs targeted at niche markets, but Telus does not own any media assets, so that part of the equation isn't a factor.

Telus generates a ton of free cash flow and is very good about handing it out to shareholders in the form of dividend increases and share buybacks.

The current quarterly payout of $0.44 per share offers a yield of 4.25%.

Fortis

Fortis operates natural gas distribution and electricity generation assets in Canada, the U.S., and the Caribbean.

Nearly all of the company's revenue comes from regulated infrastructure, so cash flow tends to be both reliable and predictable. Once the assets are in place, there is little chance of a competitor moving into the same area.

Fortis has grown significantly in recent years through acquisitions and new development projects. The latest deal is the US$11.3 billion acquisition of **ITC Holdings Corp.**, the largest independent pure-play electricity transmission company in the United States.

The stock initially dropped on concerns that Fortis was biting off more than it could chew, but the shares have since rebounded.

Fortis offers a great way to play the strong U.S. dollar and is one of the most reliable dividend payers in the Canadian market. In fact, Fortis has increased the dividend every year for more than four decades.

The current quarterly distribution of $0.375 per share yields 3.75%. Management plans to hike the payout by at least 6% per year through 2020.

CATEGORY

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2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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