2 Top Canadian Income Stocks for Retirees

Description

Canadian pensioners are searching for ways to get better returns out of their savings.

In the past, GICs and savings accounts paid high enough interest rates to provide reasonable income, but the world has changed, and investors are turning to dividend stocks to get the yield they need.

Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) to see why they might be interesting picks.

Telus

Telus has a strong track record of delivering reliable dividend growth, and that trend should continue.

The company is adding new mobile, internet, and TV subscribers at a healthy clip, and the recent deal to acquire significant new customers and retail outlets in Manitoba should help drive additional growth.

Telus has avoided the temptation to build a media division, and that has some pundits concerned the company might be at a long-term disadvantage compared to its peers.

Time will tell if the theory is true, but Telus is investing in other opportunities that could prove to be more profitable.

For example, Telus Health is a leading provider of digital health solutions to Canadian doctors, hospitals, and insurance companies. The division is growing and offers a nice alternative revenue stream to the traditional communications business lines.

Telus just raised its quarterly dividend by 7% to $0.4925 per share. That's good for a yield of 4.3%.

TransCanada

The energy industry continues to work its way through a rough patch, but TransCanada's prospects are looking good.

Why?

The company spent US$13 billion last year to acquire U.S.-based Columbia Pipeline Group. The deal added strategic natural gas assets in the growing Marcellus and Utica shale plays, as well as a network of pipeline infrastructure, including lines running from Appalachia to the Gulf Coast.

TransCanada has about $23 billion in near-term projects on the go that should boost cash flow enough to support annual dividend growth of at least 8% through 2020.

In addition, the company's Keystone XL project is back in play under the current U.S. administration. If the project gets built, investors could see dividend growth top the current outlook.

TransCanada pays a quarterly distribution of $0.625 per share for a yield of 3.9%.

Is one more attractive?

Both stocks should be strong dividend-growth picks for an income portfolio.

Telus provides a higher yield, but TransCanada probably offers a better dividend-growth rate in the medium term. If you want U.S. exposure and can handle some added volatility, TransCanada might be the better pick. Otherwise, Telus is the way to go.

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