

Retirees: Should You Only Focus on Income?

Description

Many retirees or near-retirees have their eyes set on the income they can generate from their portfolios. It's understandable. They need to make sure they can generate sufficient income for their needs, from food and shelter to medical costs and vacations.

However, people continue to have longer and longer lifespans. So, you never know how much income you'll need in the future. Other than generating enough income for now and the near future, you should also plan for future growth.

It doesn't hurt to add a bit more growth to your overall portfolio. You can get that through stocks.

Some retirees have already gravitated towards relatively safe dividend stocks when interest rates from bonds, GICs, or savings accounts became too low to generate their income needs.

One of the best places for safe and growing dividends are utilities. And **Canadian Utilities Limited** ([TSX:CU](#)) is the top dividend-growth stock in Canada in terms of having paid the longest streak of growing dividends.

The business

Canadian Utilities has roughly \$19 billion of assets, including its electricity and pipelines and liquids portfolios. The utility is awarded a high S&P credit rating of A- and has 88,000 km of electric power lines, 18 power plants, and 2,480 MW of power-generating capacity.

Furthermore, it has 65,000 km of pipelines, 85,000 cubic metres per day of water infrastructure capacity, 52 petajoules of natural gas storage capacity, and 200,000 cubic metres of hydrocarbon storage capacity.

Canadian Utilities's earnings stability has improved over time. From 2011 to 2016, its regulated earnings contribution went from roughly half of total earnings to over 90%. The increased stability makes for a safer dividend.



Dividend safety

Canadian Utilities has increased its dividend every year for 45 years. At \$39.40, it offers a safe 3.6% yield for starters. In the last five years, the utility has hiked its dividend by 10% per year. With a payout ratio of only about 62% and a big investment program, the utility offers a safe dividend that has room to grow.

Investor takeaway

Retirees should ensure their portfolio offers some growth, too. Canadian Utilities can be a component that offers a safe income and some growth.

From this year through 2019, Canadian Utilities is investing ~\$5 billion across its businesses. Its safe dividend yields 3.6% at the recent quotation, and it should continue growing its payout over time.

The stock trades at a multiple of ~17.3, which makes the stock fully valued. Moreover, the utility just paid out its quarterly dividend. So, in the next two-and-a-half months or so, retirees may want to see if the shares pull back to at least the ~\$35-37 level before considering some shares for a growing income.

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1. Dividend Stocks
2. Investing

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