Retirees: 2 Low-Risk Utility Stocks With Great Dividends

Description

Finding a stable stream of income for retirement is important and can be hard to do in a time of low interest rates. Bond yields aren't going to provide you with attractive returns, nor is putting money in your savings account, which, if you're lucky, will pay you 1% a year. This is where dividend stocks are helpful because these types of stocks will give you more of a payout, and you could also make money if the stock prices improve. However, it is important to find stable and growing stocks as well since you don't want to end up using your dividend income to offset a loss.

The two companies I have listed below offer good yields, operate in stable industries, and could be attractive options to hold for the long term.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is a utility holding company that has a strong presence in several countries, including Canada and the United States. Fortis is a stable stock that has been able to generate strong returns and has done a good job of outperforming the TSX. Over the past five years, its stock has increased 35%, and year-to-date returns have been over 9%.

In three years, Fortis has seen revenues grow by 69%, although growth has slowed a bit with the most recent fiscal year seeing just a 1% improvement over the prior year. The company has also been able to generate a profit margin of over 10% in the past two years.

In addition to stable and persistent growth, Fortis provides an attractive dividend of 3.5% per year. The company also has a solid history of increasing its payouts as well with the most recent occurring last year when Fortis hiked the dividend by over 6%. In just three years, the company has increased its dividend by 25%.

Hydro One Ltd. (TSX:H) is another utility provider based in Ontario and, through a recent acquisition, serves parts of the U.S. as well. The company has only been publicly traded since 2015, but with a big shareholder being the Ontario government, this is a very stable company to invest in. Returns have not been great, with the stock down over 4% year to date, but long term, the potential is certainly there. The company has a lot of stability in its financials and, in each of the past three years, it has posted revenues of over $6.4 billion. Hydro One has also been able to maintain consistent profits of over $700 million the last three years for an average profit margin of 11%.
Currently, the stock pays a dividend of 3.9%, but as the company grows, it wouldn't be a surprise to

see it grow that payout. The company has already hiked its dividend by 5% earlier this year from $0.21 to $0.22 every quarter.

Although Hydro One does not have a long history of paying and increasing dividends, what makes this an attractive stock is due to its structure and the important role it has in Ontario. A company with a big moat has lots of stability, and Hydro One certainly ticks that box off given its strong position in the industry and lack of significant competition.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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