Retirement Income: A Top Dividend Stock With More Room to Grow

Description

Companies that provide electricity, gas, and water are the top dividend stocks I recommend to generate income for your retirement.

Utility stocks are like bonds. There is very little uncertainty about their returns for investors. They invest heavily to make sure customers get basic services without any interruption. In return, customers pay their monthly bills, and governments offer inflation-linked contracted returns for their services.

This business model is very attractive for retirees who hate uncertainty when it comes meeting their financial needs during their golden age. Utility stocks, through their stable and regular dividends, provide stability to income portfolios. That's the reason top investment advisors recommend having at least a couple of utility stocks in income portfolios.

Ontario-based **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN) is among the top North American utility stocks. Let's find out why.

Algonquin's business

Algonquin is a diversified generation, transmission, and distribution utility with US$10 billion of total assets. Through its two business groups, the company provides rate regulated natural gas, water, and electricity services to over 700,000 customers in the U.S.

Algonquin also has a clean energy unit, running a portfolio of long-term contracted wind, solar, and hydroelectric generating facilities, managing more than 1,250 MW of installed capacity.

It generates about 70% of earnings from regulated utilities and 30% from contracted renewable power. Over the past few years, Algonquin has grown through a very smart acquisition strategy, in which it's bought some high-quality assets from larger U.S. utilities through its wholly owned subsidiary, Liberty Utilities.

Share performance

Over the past five years, Algonquin's share price has doubled, trading at $13.46 at the time of writing. This stellar performance shows the success of the company's growth strategy and its ability to generate superior returns when compared to other Canadian utilities.

Algonquin shares were under pressure, hurt by rising interest rates and a stronger Canadian dollar. A higher value of the Canadian dollar hurts the company because Algonquin declares its dividends in U.S. dollars, which means less income for those who need to convert their income back into the local currency. But despite these challenges, Algonquin is still up 18% this year, outperforming other top utility stocks.

The bottom line

With an annual dividend yield of 4.3%, which translates into a $0.1165-a-share payout, Algonquin stock seems very attractive and provides a good diversification opportunity to your retirement income due to the company's push in the selective and underserved U.S. markets.

The company plans to increase its dividend payout by 10% each year for the next five years, as it undertakes its $6.3 billion capital-deployment plan. Though its stock is trading close to the 52-week high of $13.48, I still see a good upside potential for long-term investment.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/08
Date Created
2017/10/09
Author
hanwar