2 Top Dividend Stocks to Own in Your Retirement Income Fund

Description

Many Canadians are looking for ways to boost their retirement income at a time when interest rates on saving accounts pay nominal profit. One proven way to achieve this goal is to invest in companies that pay regular and growing dividends.

Through this strategy, you will earn returns that will be much higher than traditional saving products, such as GICs. The other advantage in buying dividend stocks is that you can grow your portfolio much faster by re-investing your profit back into buying more shares of the companies.

Over time, with the power of compounding and capital gains, you will see significant growth added to your portfolio. Keeping this theme in mind, I have picked **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Telus Corporation** (TSX:T)(NYSE:TU) — two top dividend stocks for you to consider for your retirement income fund.

TD Bank

TD is one of Canada's largest lenders with a massive market share in North America, which makes this lender a top candidate for your retirement income.

The bank has a solid track record of dividend growth. Paying $0.60 a share quarterly dividend, the lender has grown this payout at a 10% CAGR over the past 20 years.

A very strong presence in the U.S. makes TD a great diversification play. Through a smart acquisition strategy over the past decade, TD has become the eighth-biggest U.S. retail bank by assets in the U.S., according to *Bloomberg* data.

The bank spent about US$17 billion building its U.S. branch network, buying many lenders in the U.S., such as Banknorth Group Inc., and Commerce Bancorp Inc.

These acquisitions in the U.S. and solid growth in Canada have positioned TD to provide regular income to its investors in the form of dividends.

Going forward, TD has forecast 7% growth in its dividend, which is more than enough to compensate for inflation and give a good boost to your income potential if you continue to re-invest your profits to buy more TD shares.

Telus Corp.

Canadian telecom operators are among the best companies that provide stable and growing dividends to income investors. Just like banks, they regularly increase their dividends.

Telus, with a current dividend yield of 4.2%, which translates into a quarterly dividend of $0.49 a share, is a top dividend-growth stock in Canada.

Its dividend payout in 2017 is 7% higher when compared to the last year. Telus's policy is to raise dividend by 7-10% annually, subject to conditions. Telus is a good addition to your retirement income fund due to its good asset mix and growing market share in the Canadian wireless market.

In the second quarter, for example, Telus reported 99,000 net postpaid wireless customer additions and 5,000 new Telus TV subscribers.

Trading at $49.97 at the time of writing, Telus stock has just breached the 52-week high. This momentum shows that the company is well on track to meet its growth targets, and its stock has good upside potential.

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1. Bank Stocks
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