



2 Dividend Stocks to Build Income for Retirement

Description

Investing in [dividend stocks](#) is one of the safest ways to build income for your retirement.

Retirees should choose companies that reward their investors regularly and have mature businesses that produce strong cash flows. These businesses do not require a lot of fresh capital to grow their profit margins. They have already made large investments, and it is a steady ride going forward.

That means these companies are in a position to return a lot of cash back to investors in the shape of dividends. For income investors, this provides a safe avenue for long-term investment without taking too much risk.

In Canada, banks and telecoms are the best examples of such companies. Here are the two top picks from these industries for you to consider.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

Among the [major Canadian banks](#), TD is my favourite pick due to its stable earnings, dividend growth, and business diversification.

The bank has a remarkable history of growing its dividends. Paying a quarterly dividend of \$0.60 a share, 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 safe bet. Through its large branch network in the U.S. and a dominating market share in Canada, the lender is in a great position to provide regular income to its investors for a long time to come.

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.

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#))

For many, BCE is a boring stock with not much growth and excitement. But for income investors, BCE has been a great dividend stock for more than a century.

Investors have been getting dividend cheques for the past 134 years from BCE. I am not sure how many companies in the world can match this track record.

BCE has a solid moat, which, according to Warren Buffett, is a sustainable advantage a company has over its competition. BCE has invested tens of billions of dollars to build its wireless, data, and media empire. This empire has now turned into a cash machine for investors.

With a dividend yield of 4.7%, BCE pays a \$0.72-a-share quarterly dividend. Over the last decade, investors who've reinvested their dividends into more BCE shares have made an annual return of ~8%. That would have turned a \$10,000 investment into one worth ~\$32,000.

The bottom line

If you want to build a sustainable income stream for your retirement, investing in dividend-growth stocks should be the main part of your investing strategy. Companies such as BCE pay regular dividends and grow them over time. This feature helps retirees get a pay raise without being employed!

CATEGORY

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1. Editor's Choice

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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