Retirees: 2 Stock Picks for Monthly Dividends

Description

Canadian pensioners are searching for ways to get better returns out of their savings funds. One popular strategy involves holding dividend stocks inside a Tax-Free Savings Account (TFSA).

Since its inception in 2009, the TFSA's total contribution limit has grown to $52,000, which means retirees can pick up a good chunk of tax-free income from companies that pay attractive dividends.

Let's take a look at **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) and **Altagas Ltd.** (TSX:ALA) to see if one should be in your portfolio today.

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Shaw

Shaw finally realized it needed a mobile division to compete on an even playing field with its competitors. In order to avoid the long process of starting from scratch, the company bought Wind Mobile.

Canadians like getting their TV, internet, and mobile services from a single supplier in a bundled offering, and the lack of a mobile business put Shaw at a disadvantage, so it really had no choice.

The company rebranded the new division as Freedom Mobile and is building out the network to offer the service across the country.

To pay for the Wind Mobile deal and help finance the capital plan, Shaw sold its media business to **Corus Entertainment**. Some pundits questioned the move, but the decision could prove to be a wise one, given the new pick-and-pay rules for Canadian TV subscriptions and the ongoing challenges faced by content producers.

Dividend growth is likely on hold until the company completes the expansion of the mobile business, but investors are still getting decent returns, and the existing payout should be very safe.

Shaw's monthly distribution provides an annualized yield of 4.1%.

Altagas

Altagas owns gas, power, and utility assets in Canada and the United States.

The company has grown over the years through strategic acquisitions and organic development, and that trend continues.

Altagas is building a propane-export terminal in British Columbia and is working its way through the $8.4 billion acquisition of Washington D.C.-based **WGL Holdings**.

The market is a bit concerned Altagas might not be able to sell some non-core assets at targeted prices to help cover the cost of the WGL deal.

Management expects the purchase to close next year and is forecasting dividend growth of at least 8% per year for 2019-2021.

The existing assets are performing well, and Altagas just raised its payout, so there can't be too much concern in the executive suites with regards to the revenue or cash flow outlook.

The pullback in the stock looks overdone, and investors can pick up a solid 7.4% yield.

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Is one more attractive?

At this point, I would probably make Altagas the first pick. The stock comes with more risk than Shaw, but the yield is significantly higher, and Altagas probably has better dividend-growth prospects in the medium term.

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