



3 Top Dividend Stocks to Grow Your Retirement Income

Description

[Investing in dividend stocks](#) is a proven way to earn a steady stream of income when you're in your golden age. But before you get there, you need to do a couple of things right.

First, you need to make savings for retirement one of your top priorities. Without the meaningful contributions to your savings, it's unlikely that you will be able to build a retirement fund which could generate sufficient income for you.

I think a retiree with a reasonable lifestyle can live off a million-dollar retirement portfolio which generates a 4% rate of return with no mortgage burden.

Financial advisors usually advise retirees to withdraw only 4% of their nest egg per year to avoid depleting their funds and running out of money. So, if you end up with \$1 million by the time you retire, only \$40,000 per year can be withdrawn.

The second important factor to have a comfortable retirement is that you need to invest in quality stocks that pay regular dividends. Some savers hate stocks because of the risks involved with equity investing. But that risk-free approach won't get you there when the rate of return on savings accounts, GICs, or the government bonds is less than 3%.

That's not the kind of return you'll need to have a retirement life free from financial worries. A diversified portfolio with a good representation of dividend-growth stocks is a much better option for retirees.

Investing in dividend stocks

Stocks such as **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are great retirement investments if you have a long-term horizon.

These companies have been rewarding their investors for many decades with dividends. This predictability only comes from investing in businesses that have wide economic moats.

In simple words, companies that have huge competitive advantages are the ones that can ward off competition and continue to generate cash flows for their investors.

BCE, for example, is the largest telecom operator in Canada and has been sending dividend cheques to its investors for more than a century. With a dividend yield of 4.8%, BCE is the kind of stock you can count on for your retirement.

[Fortis](#) is another dividend stock that pays stable and growing dividends to retirees. Fortis is one of the largest utilities in North America with a diversified customer base. The company has hiked its dividend each year since 1972. With a dividend yield of 3.7%, Fortis offers stable income potential to retirees.

Finally, Royal Bank of Canada has been a favourite dividend stock for retirees. Canadian banks distribute between 40% and 50% of their income in dividends each year. Investors who'd bought \$10,000 worth of RBC's stocks 20 years ago have seen their investments grow 10-fold to \$100,000 today if they re-invested all of their dividends.

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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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