2 Dividend Growth Stocks That Could Raise Your Retirement Income

Description

In your golden years, the biggest surprise is when you get a pay raise without going to work. But that's only possible if you've selected your investments wisely and your savings are working for you even when you're not working.

Investing in some quality dividend-growth stocks is a surefire way to get a pay raise each year and use that money for the things you love the most. The companies that regularly hike dividends are the ones with dominant market positions. In Canada, you have many businesses that are built to last and provide a growing stream of income to their shareholders.

Let's have a look at Emera Inc. (TSX:EMA) and Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stocks to find out if these are the two trustworthy names to have in your retirement portfolio.

Emera

Energy infrastructure companies and utilities provide a safe avenue for retirees to earn a stable and growing dividend income. The biggest advantage of investing in utility stocks is that they rely on regulated returns, which means there is a little room for big surprises in their earnings.

Emera is a Halifax, Nova Scotia-based utility that's growing its operations in North America and the Caribbean. The company makes about 75-85% of its adjusted earnings from rate-regulated businesses. Regulated earnings growth is expected to support the company's 8% per year dividend-growth target through 2020.

The biggest growth driver for Emera has been its acquisition of TECO Energy, Inc. in 2016. The combination created an entity that's among the top 20 North American regulated utilities.

Trading at $41.08 at the time of writing, Emera's shares now yield an attractive 5.5%, which translates into $0.565-a-share quarterly dividend. Emera stock has lost 10% during the past one year as investors avoid stocks that are sensitive to interest rate moves. However, this weakness has opened a window of opportunity for long-term income investors.

With a multiple of 14.2 times estimated 2018 earnings, Emera looks cheap and is a good candidate to earn regular income.

Bank of Nova Scotia

Similar to utilities, Canadian banks provide another solid source for growing income to retirees. Canadian financial institutions such as Bank of Nova Scotia distribute more than 40% of their income in dividends each year, which makes a strong case for having a couple of banking stocks in your portfolio.

Bank of Nova Scotia is a stock you can count on for a regular income stream for many years. Canada's third-largest lender has paid dividend to investors every year since 1832. It's also a great dividend growth story. Bank of Nova Scotia has hiked its payouts in 43 of the last 45 years.

In 2017, investors got a 7% jump in their payouts in two dividend hikes. I therefore expect a more robust growth going forward at a time when the bank is expected to generate $7-8 billion of excess capital by 2020.

Trading at $79.45 at the time of writing, Bank of Nova Scotia's annual dividend yield has reached an attractive 4% level. With $3.05 a share annual payout, Bank of Nova Scotia is a solid banking stock to include in your retirement portfolio.

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