2 Dividend Growth Stocks to Boost Your Retirement Income

Description

Building an investment portfolio that could take care of your financial needs in retirement is becoming harder and harder. The companies are abandoning employer-sponsored pension plans, and many people are working as contract employees.

If you're willing to take control of your retirement portfolio, there aren't many options that could generate steady income for you. A retirement portfolio containing only securities like bonds and GICs may not generate sufficient cash flow to beat the rate of inflation.

In this dismal situation, adding a few dividend stocks to your retirement portfolio is a good idea. Dividend stocks not only provide ongoing income, but their payouts generally rise more than inflation over time. Eligible Canadian dividends also receive better tax treatment than does interest income.

But from where you should begin in this big universe of stocks? Sticking with the tested names, such as banks, railroads, pipelines, and telecommunications is the best way to go for income investors. Here are two dividend stocks that could get you started on building a strong retirement portfolio.

Telus Corporation

Canadian telecom operators are among the most reliable dividend payers. They've been providing steadily growing dividends to retirees for decades, and I don't see any reason why they shouldn't do that in the future.

Their biggest strength in Canada is their market dominance where competition is limited. The telecom market is divided among four major players that control about 80% of the broadband and video market and more than 90% of the wireless market.

Among these operators, Telus Corporation (TSX:T)(NYSE:TU) is one of my favourite stocks. Telus is targeting 7-10% growth in its dividend each year until 2019. And given the company's ability to generate more cash from its growing customer base throughout Canada, this target doesn't seem too ambitious.

In the quarter ended March 31, the Vancouver-based communications giant raised its dividend by 6.6% to $0.525 per share as it continued with expansion in a market where companies added 60% more wireless subscribers than the same period last year.

Trading at $45.59 and with an annual yield of 4.6% at the time of writing, Telus is solid stock with 15 straight years of consecutive dividend growth.

CN Rail

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) is another great dividend growth stock for retirees to buy. The company's leading position in North America's economy makes it a safe bet to earn growing income.

This transportation giant runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

Its strong position has allowed CNR to pay uninterrupted dividends ever since going public in the late 1990s. This year, management boosted the quarterly payout by 10% to $0.46 per share, totaling $1.84 annually for a yield of 1.79%. The company has been increasing its dividend with a five-year CAGR of 14%.

After going through a little rough patch this winter due to network capacity constraints, CN Rail stock is now back on its upward trajectory, recovering all the losses it experienced since mid-April. Trading at $107.89 at the time of writing, CNR is a solid long-term investment for retirees to consider.

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