2 Top Dividend Stocks to Fuel Growth in Your Retirement Income

Description

With an increasing number of workers employed in contract and part-time jobs, it's becoming tough for people to plan for their retirement. One of the biggest setbacks of this new economic reality is that fewer people are getting the employer-sponsored pension plans.

In this environment, it makes sense that you actively plan for your retirement and look for investment options that could boost your retirement income. If you want to take a very conservative path, then investing in fixed-income assets like bonds and GICs is a good idea. But the problem with this approach is that a portfolio containing such assets is unlikely to generate sufficient cash flows.

In this challenging scenario, adding a few top-quality dividend stocks to your retirement portfolio makes sense. Dividend stocks not only generate a stable income stream, but you also get pay hikes when these companies decide to hike their payouts. History tells us that good dividend-paying companies do it regularly, even during the worst of economic situations.

Top dividend stocks

But how do you go about picking a right dividend stocks when you have so many choices out there? In this case, I advise my readers to stick with tested names. In Canada, banks, telecom operators, and energy infrastructure companies are the best examples.

Let's take the example of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). The second-largest lender by assets has been growing its dividend for many decades. After an 11% increase in its payout this year, income investors in TD stock now earn a $0.67-a-share quarterly dividend, which translates into a 3.53% yield on yearly basis.

The main reason of this strength is that TD is among the top five Canadian lenders that dominate the domestic banking market where the competition is limited due to tough regulatory requirements for new entrants.

As the local market matured, TD expanded aggressively south of the border. The bank now runs more branches in the U.S. than in Canada, making it one of the top 10 lenders in the U.S.

If you plan to keep TD stock in your retirement portfolio for a long term, you will likely get a dividend payout that rises between 7% and 10% each year. That growth is good enough to beat the rate of inflation in Canada that's been around 2% for many years.

Another good example to explain this concept of investing in dividend stocks is North America's largest pipeline operator, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). Enbridge is a widely held stock in income-seeking portfolios due to its robust growth in payouts.

The company has been paying dividends for the past 64 years. Its dividend has grown at an average compound annual growth rate of 11.7% over the past 20 years. If you decide to buy this stock now, you're going to lock in 6.3% yield with a potential of 10% growth in its dividend each year.

The bottom line

When you decide to build your portfolio to generate retirement income, go for stocks that are known for their dividend income and the ones that plan to grow them over time. Sticking with the traditional sectors of the economy, such as banks and energy companies, is a safe bet for retirees.

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Date
2025/07/04
Date Created
2018/06/22
Author
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