2 Canadian Dividend Stocks to Help You Retire at the Cottage

Description

Cottage season is in full swing, and many of us are dreaming of the day we can retire at the lake.

It's a goal that is certainly possible to achieve, and the sooner we get our retirement finances lined up, the faster we can shift our daily routine from fighting traffic to fighting fish.

With this thought in mind, let's take a look at two Canadian dividend stocks that might be interesting picks for your RRSP or TFSA retirement fund.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD generated $3 billion in net income for fiscal Q2 2018. The company is a profit machine, and long-term investors in the bank have watched the value of their holdings balloon. Stock appreciation is part of the story, but TD also has a strong track record of dividend increases.

In fact, TD has a compound annual dividend-growth rate of about 11% over the past 20 years. The stock currently trades near its all-time high and some investors might think it is too expensive. At 13.5 times trailing earnings, TD is certainly not on sale, but the company continues to deliver annual earnings-per-share growth above the 7-10% guidance, and that trend is likely to continue.

TD recently announced a deal to buy Greystone Managed Investments for $792 million. On closing, TD will become Canada's largest money manager. The move arrives amid a flurry of wealth management deals in Canada, as the big financial institutions scramble to gobble up the few remaining prize picks they don't already own.

Rising interest rates are stoking fears that we could see a meaningful downturn in the housing market. That's a fair point, but higher rates will also help TD generate better net interest margins. The benefit on that side of the equation should offset the slowdown in mortgage lending that could occur in the coming years.

TD's current dividend provides a yield of 3.5%.

Inter Pipeline Ltd. (TSX:IPL)

IPL is a bit of a contrarian play, but it gives investors an opportunity to boost their average dividend yield and offers a shot at some nice stock appreciation.

The company is a niche player in the Canadian energy sector with oil sands pipelines, conventional oil pipelines, and natural gas liquids (NGL) processing assets. Oil sands companies continue to ramp up production and improvements in oil prices are enabling the conventional oil producers to increase their capital programs.

In addition, IPL is in the early stages of building a $3.5 billion petrochemical facility. The Heartland Petrochemical Complex is expected to go into commercial operation by the end of 2021. Once that occurs, IPL anticipates the facility will generate average annual EBITDA of better than $450 million.

The stock currently trades for $24.50 per share and provides a dividend yield of close to 7%. In 2014, the stock nearly hit $40, so the opportunity exists for big gains once market sentiment improves for the energy infrastructure sector. In the meantime, investors get paid well to wait.

The bottom line

An equal investment in TD and IPL would generate and average yield above 5%, with a chance to pick up some capital appreciation in the coming years.

These stocks, along with a few other top picks, could make lakeside living a reality.

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