3 Safe Stocks for a Secure Retirement

Description

When investing for retirement, security is the name of the game. It doesn't matter if you're a risk-taker at heart. When it comes to your retirement, you should play it safe — while keeping any risky plays far away from your retirement accounts.

Luckily for Canadian investors, the TSX has more than a number of stocks for the retirement-minded investor. Canada's banking system has been praised by the likes of Warren Buffett and Charlie Munger for its stability. So, it's no wonder that banking stocks are among the safest long-term plays on the TSX. But there plenty of safe, retirement-worthy plays available in other sectors as well.

In this article, I'm going to be covering three of my favourite TSX stocks for retirement-minded investors. Each of these stocks offers dividends, long-term stability and reasonable growth prospects at the same time.

I'll start with a company that may be familiar to homeowners in Ontario and Quebec.

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN)

Algonquin Power & Utilities is a utilities conglomerate with assets across Canada and the United States. The company does business as **Liberty Utilities** in the United States, where it provides power to over 700,000 customers.

Utility stocks are well known for their stability. Everybody needs power, and electricity providers operate as "natural monopolies" in their areas of service. This provides what Warren Buffett calls a "moat," or protection from competition — and it's no accident that the Oracle of Omaha owns many utilities himself.

So, why am I recommending *this* utility stock in particular?

First, it offers a fantastic dividend yield. Sitting at 5.18% at the time of this writing, it's well above the TSX average. Second, management has a history of occasionally raising the dividend, with a recent bump from $0.11 to $0.12 per share. Third, the company has been seeing solid revenue growth as of its most recent income statement of approximately 17.4% year over year.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia, better known as Scotiabank, is a familiar Canadian financial company. Like most Canadian banks, it trades low relative to earnings, with a P/E ratio of 11.17 at the time of this writing. The company also pays a juicy dividend of $3.28 per share for a yield of 4.26%. The company's underlying financial metrics are all sound, with a profit margin of 32.91%, ROE of 14.13%, and quarterly earnings growth of 5.50% (year over year) being among the highlights.

In my opinion, this is an absolute, unambiguous buy.

BCE (TSX:BCE)(NYSE:BCE)

BCE is better known to most Canadians as Bell Canada. And while this company may bring to mind painful memories of late phone bills and internet cancellation fees, its stock remains a great pick. With a P/E ratio of 17.33, a dividend yield of 5.67% and steady (if not overly high) earnings growth, it easily falls into the category of "retirement-worthy" stock picks.

Bottom line

When investing for retirement, many people overlook stocks in favour of "safer" bonds and GICs. Indeed, I said at the start of this article that it pays to play it safe when investing your retirement money. But that doesn't mean you need to overlook stocks altogether. The three stocks mentioned in this article offer as much income and stability as any bond or bond fund, with way more potential upside. If you're looking to round or your RRSP or TSFA, all three are worth a look.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BCE (BCE Inc.)
3. NYSE:BNS (The Bank of Nova Scotia)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
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