3 Top Monthly Dividend-Paying Stocks for Retirement

Description

One of the most important criteria of a retirement portfolio is income. Retirees need reliable and stable income. The majority of dividend-paying companies pay out their dividends on a quarterly basis. There are, however, some high-quality monthly dividend payers.

The allure of monthly dividend stocks in retirement is easy to understand. True, a company's payout schedule should make little difference if the annual payout is the same. Yet monthly dividend payers allow for more flexibility and easier budgeting. For the most part, expenses are paid monthly, and paying them easier if you have a stable monthly income.

Retirees should also look for safety and growth in their dividends. It is for this reason that the Canadian Dividend Aristocrats list is the perfect starting point. These are companies that have reliable histories of growing their dividends for more than five consecutive years. Although there is no guarantee, Aristocrats exhibit a certain level of commitment to their dividends.

With that in mind, here are three high-yielding, monthly dividend stocks for your retirement portfolio.

TransAlta Renewables (TSX:RNW)

TransAlta Renewables develops, owns, and operates renewable power-generation facilities. It has 38 assets generating over 2,300 MW of energy. Its portfolio of long-term assets has a 12-year average contract life.

The company currently yields an attractive 7.91%. This monthly dividend payer has a dividend compound annual growth rate (CAGR) of 5.4% over the past five years. TransAlta's payout ratio of 265% is misleading. The safety of the dividend for a utility company is better compared against its cash available for distribution (CAFD). Year to date, CAFD has increased 5.3%, and dividends are well covered, accounting for only 80% of CAFD.

AltaGas (TSX:ALA)

AltaGas has been weighed down by its WGL Holdings acquisition and the abrupt resignation of its

CEO. Now that the WGL deal has closed, this energy infrastructure company can zero in on its very attractive capital-allocation plan.

The company’s monthly dividend yield is 8.79% and is underpinned by impressive cash flows. Through six months ending in June, the dividend accounted for only 67% of normalized funds from operations (FFO). It has a six-year dividend-growth streak with a five-year CAGR of approximately 7%.

The WGL acquisition is expected to be acrretive to normalized funds from operations of 17.5% at the mid-range of guidance. As such, the company expects to achieve a dividend-growth rate of 8-10% through 2021.

Inter Pipeline (TSX:IPL)

This pipeline has a 6.91% yield and a nine-year dividend-growth streak. Over the past five years, it has raised dividends by approximately 7% annually.

In the second quarter, the company grew FFO by 26%, which is great news for income investors. Through the first six months of 2018, dividends accounted for 62.5% of FFO, down from 66.2% in 2017. Inter Pipeline wants to maintain a sustainable dividend-payout ratio below 80%. As such, it has a significant buffer based on its existing payout ratio.

With over $3 billion in identified growth opportunities, the company is well positioned to grow its dividend well into the future.

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