The Best Stocks for a Retirement Portfolio

Description

No matter if you're retiring now or later, the key characteristics for the best stocks in a retirement portfolio should be similar. The stocks should have staying power, stability, income, and growth. I'll illustrate with a couple of examples.

Staying power

Building a retirement portfolio is no joke. You want the portfolio to consist of businesses with staying power — businesses that will still be doing well decades down the road.

Both **Fortis** (TSX:FTS)(NYSE:FTS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) have been around for a long time. You can be sure that they'll still be around years later because they offer essential services of delivering gas and electricity, and banking services and financial solutions, respectively.

Stability

You probably don't want too much drama in your retirement portfolio. Both stocks of Fortis and TD Bank have betas of less than one. This means that they have less volatility than the TSX index or Canadian market.

A low-volatility stock tends to be supported by a stable trend of profitability. In the last 15 years, Fortis had four years of earnings-per-share declines based on adjusted earnings. They were mild declines of 2-7% in a given year. TD only had one year of earnings-per-share decline in fiscal 2008 during the financial crisis.

In the other years, both companies enjoyed earnings-per-share growth. This results in a long-term earnings-growth trend that leads to a relatively stable stock holding.

Offers income and growth

You want stock holdings in your retirement portfolio that offer stable income but also some growth as well for price appreciation and to grow your wealth. After all, the income from dividends will likely be spent in retirement. So, you want growth in your assets without your putting new money into your portfolio.

Dividends come from earnings. Earnings growth leads to dividend growth and stock price appreciation. The long-term earnings-growth trends of Fortis and TD lead to consistent dividend growth. In the last 15 years, Fortis and TD's dividend-growth rates were 8.4% and 10%, respectively.

For the next few years, Fortis and TD have the ability to increase their dividends per share by 5-6% and about 8% per year, respectively. Currently, they offer safe dividend yields of about 4% and 3.4%.

Other thoughts

Some investors building a retirement portfolio choose to have about 90% of their stocks to have the key characteristics discussed. The remaining 10%? It's in aggressive growth opportunities that may raise some eyebrows.

The reason some people invest like this is that the 10% may add substantial growth to the overall portfolio. However, if something goes wrong, the investor's retirement portfolio will still be intact.

Investor takeaway

Generally, you'd probably want most of your retirement portfolio to be comprised of businesses, such as Fortis and TD, that have staying power, stability, and offer income and growth.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
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