Increase Your Retirement Income With These 2 Dividend Stocks

Description

Utility and energy infrastructure stocks are some of the best stocks for juicy income. In the case of **Northland Power** (TSX:NPI) and **Enbridge** (TSX:ENB)(NYSE:ENB), they generate stable, contracted cash flows to support sustainable dividends. Currently, they offer attractive dividend yields of 5-6%; their eligible dividends are more favourably taxed than active income from a job.

Northland

Northland has +30 years of experience in developing, building, and operating power assets. It has amassed a diversified portfolio with 2,000 MW of net capacity across Canada, the United States, Mexico, Latin America, Europe, and Taiwan.

Most of Northland's operating facilities have long-term power-purchase agreements. The average life of the agreements is just over 12 years. So, Northland's cash flow generation is stable and predictable.

In 2017, Northland paid out 76% of its free cash flow as dividends. Investors can expect the payout ratio to remain more or less the same this year. At about $22 per share, Northland offers a dividend yield of almost 5.5%.

With a strong focus on growing its global portfolio, it's unlikely that Northland will consistently increase its dividend. However, investors should be compensated with higher growth (i.e., price appreciation) from the stock versus a quality dividend-growing utility, such as **Fortis**.

Northland is undervalued. The analyst consensus from **Thomson Reuters** has a 12-month target of $27.30 per share on the stock, which represents 24% near-term upside potential.

Enbridge

Enbridge generates, distributes, and transports energy in Canada and the United States. With the addition of the assets from Spectra Energy, Enbridge now has a diversified network of liquids and natural gas infrastructure. It transports about 28% of the crude oil and about 20% of the natural gas in North America.

Enbridge has 96% of contracted cash flow, which is stable and predictable. The quality cash flow makes the leading North American energy infrastructure company an ideal candidate for retirees to get income from.

In fact, the company has paid dividends for +64 years. It has increased its dividend per share for 22 consecutive years. Its 10-year dividend-growth rate is 14.6%. Its dividend per share is 10% higher than it was a year ago.

At about $45.20 per share as of writing, Enbridge offers a compelling dividend yield of 5.9%. Moreover, management estimates the company’s cash flow growth can support dividend growth of 10% per year through 2020. This implies a medium-term return of almost 16% per year without accounting for the fact that the stock is undervalued.

The analyst consensus from Reuters has a 12-month target of $53.20 per share on Enbridge, which represents +17% near-term upside potential.

Investor takeaway

Investors looking to boost the income of their retirement portfolios, no matter if they’re retired now, retiring soon, or retiring decades later, should consider Northland and Enbridge.

CATEGORY

1. Dividend Stocks
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