



Retirees: 1 Stable Dividend Stock for a Lifetime of Growing Income

Description

While you could certainly survive off of the minimally acceptable sized nest egg, I can guarantee you that no retiree pictures themselves continually keeping tabs of their budget to live well below their means after they finally hang up the skates. We all dream of retiring comfortably with little to no worries concerning finances.

While retiring with a smaller nest egg may not be an optimal situation, many of us are simply unable to continue working as the health issues that come with old age begin to take their toll. Retiring later to accumulate a larger nest egg just isn't possible for many of us and with a smaller nest egg, running out of money in the midst of retirement is a fear that many retirees share.

Consequently, some retirees with smaller nest eggs believe it's necessary to take on more risk with higher-yielding stocks to obtain a somewhat more comfortable retirement. While you could certainly buy into "artificially high yielding" securities (those with yields well above where they should be), there's a more prudent way for retirees to minimize their risks as they go on the hunt for income stocks.

There are extremely high yielding stocks with +8% yields, but like most things that seem too good to be true, there's usually a catch. And in the case of extremely high yielding securities, the odds of suffering substantial capital losses or a dividend reduction at some point down the road are considerably higher than a stock whose yield is more in line with its historical average levels.

Thus, both safety and yield remain the two top priorities for retirees. And although most retirees leave it to these two traits when looking to pick stocks, I believe the construction of a retirees portfolio is actually a balancing act between three traits: safety, yield and growth, in that order.

Higher growth means higher dividend growth over the long-term, and given that our life expectancies continue to soar, that little bit of dividend growth will stand to minimize the possibility of running out of money at some point down the road – the biggest fear that retirees have. So, growth is arguably more critical than upfront yield; however, safety remains of utmost importance, as a return to the workforce is essentially the worst case scenario for a retiree!

When it comes to balancing safety, [upfront yield and growth](#), retirees may want to consider **Toronto-Dominion Bank**

([TSX:TD](#))([NYSE:TD](#)), Canada's soon-to-be largest company by market cap. When it comes to upfront yield, safety and growth, [it's hard to beat the banks](#)! While they may be prone to significant falls during economic downturns, the best-of-breed bank stocks are usually first out of the gate when the economy returns to expansion mode.

TD Bank bounced back sharply from the Financial Crisis, more than doubling from the bottom in the two years that followed. Today, the stock has a bountiful 3.4% dividend yield, which may seem low for a retiree. When you consider the magnitude of dividend growth, however, you'll essentially see your dividend grow in the low-double or high-single digits every single year.

Over the last 15 years, TD Bank's dividend has quadrupled, surging nearly 320% with a nasty recession through into the mix! And the market-crushing capital gains are just icing on the cake.

Foolish takeaway

Sure, TD Bank's upfront yield isn't pretty, but if you're willing to stick it around for the long haul, there's a good chance your yield will swell past 5% of your invested principal after just four years. For retirees who are willing to sacrifice a bit of upfront yield, the dividend growth is well worth the temporary near-term compromise.

Stay hungry. Stay Foolish.

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