Planning for Retirement? Here Are 3 Dividend Stocks to Up Your Income

Description

When investing for retirement, income is the name of the game.

Studies show that retirees' number one concern is whether they'll have enough income to live off in retirement. With CPP payments lacking inflation-indexing, it's not hard to see why. And although retirement planners could save money and hope their cash hoard lasts them through their golden years, it's not a practical solution.

For savvy retirement planners, dividend stocks (and other income-generating investments) are just what the doctor ordered. Unlike CPP payments, dividend growth may outpace inflation. Unlike deposit interest, dividends can be high enough to live on. And unlike growth stocks, the best dividend stocks are safe enough for a retirement portfolio.

So, what are some great dividend stocks you can buy to up your retirement income?

I'll start with one you've probably heard of.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD is one of the best bank stocks in Canada, with strong earnings growth, a 30% profit margin, and a low P/E ratio of about 13. The stock is up a "so-so" 5% this year, which won't win it any awards. But what it does have going for it is a solid dividend, which yields about 3.5% at the time of this writing. The company also has a solid history of raising its dividend: the current payout of $0.67 per quarter is up roughly 10% from last year.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN Railway is one of Canada's oldest companies. It may also be one of the best: it has a 42% profit margin and a 35% return on equity, along with 27% year-over-year revenue growth, all with a low P/E of about 15. CN Railway pays a dividend with a yield of about 1.55%. This isn't an especially high yield. But what CN Railway does have is steady dividend growth: it has raised its dividend every year since 2013, and the payout has doubled since that time. If the company can keep this up, that 1.55% may turn into 3.10% in short order.

Fortis (TSX:FTS)(NYSE:FTS)

Finally, we have Fortis. Fortis is a Newfoundland-based utilities company with assets all over North and South America. The company has been having some difficulties lately, with small earnings and revenue decreases in the most recent quarter. Nevertheless, the company is priced low relative to book value, with a price-to-book ratio of 1.23. More to the point, Fortis shares pay a generous dividend with a yield of about 4.07% at the time of this writing. Fortis management also has one of the best long-term track records of dividend increases among TSX-listed companies.

Bottom line

When investing for retirement, it's best to focus on two things: safety and income: safety, so your retirement savings don't get wiped out; and income, so you can live off your investments without selling them. All of the stocks in this article fit both criteria.

There are also Canadian index ETFs that pay dividends if you want an even safer bet.

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andrewbutton