



Increase Your Retirement Portfolio's Income With These Cheap But Reliable High Yielders

Description

We're right in the middle of a rising interest rate environment. Fed chair Jay Powell is slated to hike rates independent of any upcoming economic data, and the Bank of Canada is probably going to follow in lockstep to keep inflation in check. If you're a retiree who depends on payouts from your retirement fund, then odds are, your portfolio has taken a pretty big hit in the capital gains department of late.

Rising rates make higher-yielding securities less attractive, but that doesn't mean you should adopt the "optimal" strategy given where we're at in the market cycle. You need income, and you shouldn't have to compromise to do well.

At this juncture, the headwind of higher rates is likely already factored into the stock price of your favourite high-yielding securities. With the lower stock price comes a higher yield, and if you've got enough cash on the sidelines, you should strongly consider buying more high-yielding securities while their yields have been amplified.

The two securities I'm about to mention possess the highest yields they've had in recent memory.

While the yields are higher than average due to declines in their respective stock prices, there is no dire fundamental flaw in each company's underlying business. Rather, the macro environment has resulted in a broader decline in most high-yield securities, opening what I believe is an opportunity for income-savvy contrarians to increase their portfolio's average yield without exposing themselves to elevated levels of risk.

Consider [Brookfield Renewable Partners \(TSX:BEP.UN\)\(NYSE:BEP\)](#) and [Hydro One \(TSX:H\)](#), two [reliable income stocks](#) that have taken one to the chin of late thanks to the long-term headwind of rising rates. Brookfield Renewable and Hydro One have dividend/distribution yields of 6.7% and 4.8%, respectively, both of which are substantially higher than where they've been from a historical standpoint.

Both stocks have had their fair share of unique issues (e.g., Hydro One's growth stunted by

regulators), but the negative macro trend on utilities (and other high-payout, capex-intensive firms) has indeed exacerbated each company's respective downturn. While there's no question that Brookfield Renewable and Hydro One will face harsher growth conditions moving forward, investors need to remember that both companies have rock-solid operating cash flow streams that are as reliable as they come.

Moreover, given the U.S. Fed's extremely hawkish tone and a more hawkish Bank of Canada, it feels like pessimism over high-yielding securities is at a max point, leading me to believe that battered utilities that have fallen out of favour of late could be in for a slight correction to the upside should rate-hike expectations be dampened.

Foolish takeaway

Brookfield Renewable and Hydro One are two rock-solid foundation stocks that have been ditched to the curb by hungry investors who are seeking to maximize their returns given the current macro environment.

As a retiree, you should treat the sell-off in high yielders as an opportunity to grab some stable income payers whose yields are that much sweeter! Buy Brookfield Renewable and Hydro One on weakness and keep buying on the way down, as you watch your portfolio's average yield begin to prop up!

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:H (Hydro One Limited)

PARTNER-FEEDS

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