3 Dividend Stocks to Generate Growing Income for Retirees

Description

If you're planning for retirement, there's one word that should be on your mind:

Income.

Although big capital gains can contribute to a prosperous retirement later in life, it's the cash coming from your investments that will ultimately pay your bills. According to Canada.ca (an official government website), CPP payments range from $664 to $1154 a month. With the poverty line for individuals ranging between $16,000 and $20,000, CPP alone will simply not get you a comfortable standard of living in your golden years.

Hence the importance of dividend stocks. Blue chip dividend payers are some of the safest stocks around; they pay income, which means you can earn money from them without selling. But it's not just the dividend yield you should heed. A stock's dividend growth rate is one of the most important factors for dividend investors, the secret weapon that can take a boring 3% yielder into something that will eventually pay you 10% of your initial investment each year.

With that in mind, here are three solid dividend stocks with steady dividend growth.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is one of Canada's biggest banks, while its stock is one of the cheapest in the land. Like other banks, it offers mix of personal banking, commercial banking, wealth management and capital markets services. CIBC has a fast-growing U.S. commercial banking operation that grew at 178% year-on-year in the company's most recent quarter. The stock is a true dividend aristocrat, with a 4.90% yield as of this writing. But that's not the full story. In addition to the 4.9% yield today, the stock also has a five-year dividend growth rate of 7.4% which means that likely see that payout move higher in the years ahead.

Fortis Inc (TSX:FTS)(NYSE:FTS)

Fortis is a utility company that owns assets in Canada, the U.S. and the Caribbean. The company has a 3.8% dividend yield right now, which is already fairly high. However, the real virtue of Fortis is its 45-year uninterrupted streak of raising its dividend. That's the longest dividend-raising streak of any currently-listed TSX stock, giving the company a track record you can count on. Management is aiming for 6% annual increases in the years ahead, so the jumps won't be as high as in years past, but Fortis' dividends are still trending upward.

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

Canadian National Railway is one of Canada's oldest companies, yet still among the fastest-growing. In its most recent quarter, the company grew its revenue by 16%, which is better than average for a blue chip TSX stock. Although diluted EPS fell by 55%, it was due to a one-time tax recovery in the quarter a year before, so it does not reflect the company's long-term earnings trajectory.

When it comes to dividends, Canadian National Railway has the lowest yield of all the stocks on this list. However, it also has one of the fastest-growing dividends among all Canadian stocks: in the most recent quarter, management increased the payout by 18% after five years of raising it 16.8% a year on average. While this stock's current yield is low, I can't think of a company with better dividend growth.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:FTS (Fortis Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)
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