3 Stocks to Provide Big Income in Retirement

Description

When it comes to hunting down dividends stocks, it's not the size of the yield that counts; it's how reliable the payout is.

To take it a step further, it's also about how much financial flexibility the underlying business has, and the magnitude of operating cash flow growth that can be expected for the timeframe that you're thinking about holding the security.

So, in no particular order, here are five big income top stocks I'd buy for a retirement fund. I've considered not only yield, but dividend safety, capital gains potential, and the capacity for dividend growth over the next five years. Here they are:

Enbridge (TSX:ENB)(NYSE:ENB)

Yikes, a pipeline? You may be asking yourself.

While it's true that the Canadian pipelines have been complete duds over the past few years, it's also true that they're the cheapest they've been in recent memory. And with the bar now set low, I think the shareholder-friendly management team at Enbridge has what it takes to pull off a rebound to go with a potential renewal to its dividend promise.

The recent dip caused by a year delay to the Line 3 Replacement, I believe, is a massive buying opportunity for patient income investors.

The stock has a big 6.2% dividend yield at the time of writing. With shares trading at 19.3 times next year's expected earnings and a ridiculously low 1.6 times book (less than half of the five-year historical average P/B of 3.5), I consider Enbridge to be one of the stronger income-paying rebound candidates on the TSX. The dividend looks safe, and with financial relief just years away, I'd stash the name in your retirement fund today.

Inovalis REIT (TSX:INO.UN)

Inovalis isn't your typical Canadian REIT. It's a euro real estate play seeing as the company's portfolio of properties consists of mostly commercial buildings located within hotspots across France and Germany.

With a gigantic 8.2% distribution yield, Inovalis isn't just a great income provider for retirement; it's a solid outlet into the European real estate market, which is ripe for growth.

Inovalis may put some investors off because of its smaller $236 million market cap. While there's a rather small portfolio of properties, it's also important to remember that as a smaller operation, the REIT has more room to run, and with financing secured, the REIT is poised to grow its FFO at a rather impressive rate moving forward.

SmartCentres REIT (TSX:SRU.UN)

Here's another out-of-favour REIT that's begun to attract more attention lately. The retail REIT behind the SmartCentre strip malls currently has a 5.2% yield, and with a long-term plan to diversify into residential, effectively transforming the REIT into an operator of mixed-use master-planned communities, the REIT is poised to unlock tremendous long-term value for those patient enough to hold shares.

With no signs of a death of the shopping mall scenario poised to unfold over the near future, SmartCentres REIT has a safe payout and an above-average growth profile that could unlock significant distribution growth over the next five years.

SmartCentres has begun to pick up traction, but it's still cheap, and most investors aren't aware of the longer-term value-creating initiatives the trust is engaged in.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:INO.UN (Inovalis Real Estate Investment Trust)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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