2 Top Dividend Stocks to Help Build a Substantial Retirement Portfolio

Description

Saving for retirement never used to be such a big deal.

In the past, most people finished college or university and went straight into long-term careers at companies that offered decent pay and generous benefits, including pension plans.

Today the employment world is changing, with more businesses turning to contract work and shifting pension plans from defined-benefit programs, which guarantee a fixed payout on retirement, to defined-contribution plans that place the risk on the shoulders of the employee.

The old-style jobs with the juicy pension benefits still exist, but they are harder to find. In addition, people have a different view of how their career should progress these days. Self-employment is becoming more common and can provide attractive flexibility. Even for those who like being part of the corporate world, it isn't uncommon for a person to work for several companies across different industries over the course of their working lives.

The end result is the requirement for people to take a more hands-on approach to their retirement planning, and for Canadians, it normally involves using their RRSP and TFSA contribution allowances to set cash aside for their golden years.

One strategy that's proven to be successful over time involves owning dividend growth stocks and investing the distributions in new shares.

Let's take a look at two companies that might be interesting picks for your portfolio.

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

TD is an earnings machine, generating average adjusted profits of $1 billion per month in fiscal 2018. The company is widely considered to be the safest pick among the big Canadian banks due to its focus on retail banking activities, its large U.S. division, and its limited direct exposure to the Canadianenergy sector.

The company has a strong track record of raising the dividend. In fact, the compound annual growth rate of the payout is about 11% over the past two decades. Management expects earnings per share to grow at least 7% per year over the medium term, so steady dividend increases should continue.

At the time of writing, the stock provides a 3.9% yield.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis owns and operates more than $50 billion in utility assets in Canada, the United States and the Caribbean. Most of the businesses are regulated, which means that revenue and cash flow tend to be quite reliable.

The company's current $17.3 billion capital program over the next five years should support ongoing average dividend increases of 6% per year. The company has increased the distribution every year for four and a half decades.

Investors who buy today can pick up a yield of 3.6%.

The bottom line

TD and Fortis aren't as cheap as they were last year, but the two companies should continue to be solid buy-and-hold picks for a self-directed retirement portfolio.

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Date
2025/08/24
Date Created
2019/03/22
Author
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