Stocks to Buy — and Keep Until You're Retired

Description

Any would-be retiree is in search of ideal stock prospects he or she can hold forever. But when you ask current retirees, chances are they're invested in **Fortis Inc.** (TSX:FTS)(NYSE:FTS) for the longest time already. It's not surprising to learn too that other retirement planners are choosing **Emera Inc.** (TSX:EMA).

Tech stocks dominated the scene the past two years. They're the acknowledged high-flyers, except that they're not the kind of stocks to own when you're retired from the mainstream. New and emerging technologies cause rapid changes in the sector. Thus, holding tech stocks for years is riskier and not advisable.

You're free of doubt and worry when you invest in utility companies for future regular income post-retirement. Because they're known to be high-dividend payers, you'll get to enjoy life in the sunset years. No other investments can guarantee financial security.

A top tier regulated electric company

Fortis Inc. is nearing a decade of dividend growth. That's tantalizing and truly alluring for folks due for retirement. The $21.9 billion regulated electric company is basically a pension provider. Don't expect high upsides in price movements, although FTS will certainly prepare you for a healthy retirement lifestyle.

The current dividend yield is 3.6% and the company grows dividends by 6% annually. There's no question on sustainability given the 66.6% payout ratio. Net income has been steady as a rock despite the market ups and downs.

But the real takeaway lies in the nature of the business. Fortis generates, transmits, and distributes electricity to customers in Canada, the U.S. and the Caribbean. Since revenue is derived from regulated utility rates, it's a low-risk business. Your investment is protected from day one of your investment.

Legitimate long-term hold

Emera Inc. is in the same sector as Fortis. While the latter is a legendary dividend growth stock, this $12.2 billion Halifax-based diversified utilities company is also a legitimate investment prospect for would-be and current retirees. EMA pays a higher dividend of 4.5%, but with a higher payout ratio of 76.08%.

The company holds an impressive 12-year dividend growth streak. The dividend increases over the last three years have averaged in the double-digits. Based on the company's guidance, dividends will grow by 4% to 5% through 2021.

Like Fortis, the bulk of earnings are sourced from regulated utility rates. Therefore, dividends are fully covered and payments are 100% guaranteed. Emera's net income jumped 180.5% to $747 million in 2018 while posting an operating cash flow of $1.66 billion.

No red flags on the horizon

When you lay down the groundwork for retirement, you have to take calculated steps. The most important aspect is to make sure the stocks you pick don't have red flags. Fortis has the longest history of dividend growth, but Emera is no second fiddle.

Both companies will stay the course and their stock prices would appreciate at best by 12%. The good thing is that there are alarm bells on the horizon. Dividends will flow as expected while you build your retirement fund.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:EMA (Emera Incorporated)
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