Retired Investors: 3 Income Stocks to Buy and Hold for 20 Years

Description

If you're retired, creating a passive-income stream is critical. While you may have spent years building a nest egg, it's now time to convert your savings into cold, hard cash.

Fortunately, there's a way to get consistent income without withdrawing your principal. The trick is to invest in income-producing dividend stocks.

By picking the right dividend stocks, you can earn passive returns of 5% or more into perpetuity.

It's not always necessary to pick high-yield stocks, either. Some of the stocks on this list only have yields of 3% or 4%. Over time, however, these payouts could double or triple given each company's growth targets.

If you want to develop a reliable passive-income stream during retirement, take a look at these three selections.

Canadian Utilities

With a 4.5% dividend, **Canadian Utilities** (TSX:CU) isn't the highest-yielding utility stock, but it's certainly one of the most consistent.

Since 1972, the company has never missed a dividend payment. In fact, it's *increased* the payment for nearly 50 years straight! That's the longest history of consecutive dividend increases in Canadian history.

The company has maintained this level of stability by focusing on a tried-and-true business model: regulated utilities.

Every year, the company is ensured a specific rate base and pricing level. This leads to incredibly predictable earnings streams. The company can therefore reinvest to fuel growth without taking too much risk. Over the last decade, returns on equity have averaged above 10%.

This stock will never break the bank, but it's a perfect long-term holding for income investors.

Hydro One

Hydro One (TSX:H) is another fully regulated utility. Its 4.2% dividend also mirrors Canadian Utilities's payout.

While the company has only existed on the public markets for a few years, its history stretches back to the 19th century. Since its founding, Hydro One has built itself into a $14 billion renewable energy behemoth.

The strategy is simple: deliver regulated energy to local markets (mostly Quebec) and pay out 70-80% of earnings in dividends. Because its earnings base is highly predictable, it can use the rest of the profits to gradually grow its rate base.

Even the company bills itself as a "unique, low-risk opportunity to participate in the transformation of a premium large-scale regulated electric utility."

Again, this isn't a stock that will break the bank any time soon. Instead, it's a steady and reliable business that can provide an attractive dividend today while delivering income growth over the next decade and beyond.

Brookfield Infrastructure

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) isn't a regulated utility, and its 3.3% dividend doesn't seem overly attractive, but it pays to own this stock. Since 2012, shares have grown by 400%.

The company's secret is to focus on global infrastructure projects that take advantage of mega-trends like urbanization and rising populations. Brookfield builds and acquires assets related to transportation, energy, trade, and more.

As long as the global economy keeps ticking, Brookfield will find ways to profit.

Because it bets on multi-decade trends that influence the entire planet, investing in Brookfield is, by definition, a long-term bet.

By 2050, the global population is set to hit nine billion people. All of those people will need access to the mission-critical infrastructure that Brookfield provides.

The immediate income potential for this stock is lower than the others on this list, but the higher growth opportunities more than make up for that short-term hit.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:H (Hydro One Limited)

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