2 Utility Stocks That You Can Bank On to Provide Income for Decades

Description

Retirees feed off the income from the returns their portfolios provide them.

But while it's easy to fall into the trap of chasing high-yield stocks for that very reason, more often than we would like, the dividends of those high-yield stocks end up getting cut, suspended, or even eliminated, ultimately leaving investors holding the bag.

So, while certain high-yield stocks will make sense within investors' (including retirees) balanced portfolios, a good approach is to diversify your exposure with other stocks that, while they may not offer the same types of yields right now, may offer greater prospects in terms not only of the sustainability of their payouts, but also in terms of their prospects for future years dividend increases.

In this respect **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) makes a lot of sense as a utility stock that investors may want to bank on for long-term dividend returns, including a balance of yield and growth.

Founded back in 1988, Algonquin today serves more than 800,000 customers across North America, providing them with electricity, natural gas, and water utility services.

Algonquin's strategy is to continue to grow its business by making accretive acquisitions, and its business model, which relies in large part on fixed-rate contracts, provides the type of stability that should help facilitate those acquisitions without putting its current 4.68% dividend yield at risk.

Longer term, the company has been using some of its surplus capital to invest in green, clean technologies like wind, solar, and thermal energy.

While renewable energy certainly isn't at the core of AQN's business, it is nice to see the company diversifying its operations while doing its part to help our environment.

Fortis (TSX:FTS)(NYSE:FTS), meanwhile, has a strong track record of performance behind it.

Not only have FTS shares outperformed both the S&P TSX Composite Index as well as the S&P/TSX

Utilities Subindex over the past 10 years, but Fortis is also coming off 45 years of consecutive dividend increases — a remarkable feat, to say the least.

A lot of that has to do with the fact that Fortis generates the vast majority of its earnings (94% in 2018) from regulated utilities.

While you wouldn't expect a regulated utilities business to deliver the type of financial performance that would knock your socks off, what you can expect to get is modest but steady growth that should, for the most part, mimic that of the broader economy after accounting for inflation.

FTS stock yields investors 3.47% annually, not to mention that the shares recently marked a new all-time high earlier this month.

Foolish bottom line

Utility stocks have been gaining relative strength in recent months, as investors have favoured dividend and defensive stocks to combat the risk of lower interest rates and the risk of a global recession.

While investors won't expect to get rich off these two blue-chip utility holdings, "slow and steady" is what ultimately wins at the game of investing.

Foolish readers may want to add to or initiate positions in these two companies on the next short-term pullback.

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Date
2025/07/04
Date Created
2019/06/10
Author
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