3 Top Dividend Stocks to Buy If You're Investing for Retirement

Description

Which stocks suit people who are keen to build savings for their retirement? In my view, the companies that consistently pay and increase dividends offer one of the best avenues to invest for retirees.

Dividend growth stocks slowly build your nest egg and protect your investments from the impact of inflation. Stocks that consistently hike their dividends returned an average of 10.1% annually between 1974 and 2014, according to a 2015 study by Manulife Asset Management.

These returns were much better when compared to non-dividend payers, which produced 2.6% returns each year for their investors, according to the same study.

In Canada, you have many choices in various sectors of the economy to pick dividend growth stocks . Some of my favourites are top banks and power and gas utilities. Here are three top dividend stocks that I've picked for the future retirees:

Royal Bank of Canada

Canada's largest lender, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) should be on top of your buying list if you're investing for your golden years.

RBC is one of the best dividend payers in Canada. After the company's recent dividend hike, it's now on track for the ninth consecutive year in which it has raised its annual dividend payment.

For dividend growth stocks, it's important to keep their payout ratio manageable so that they have enough space for future hikes and still grow. With the dividend-payout ratio of 40-50% of its net income, RBC is in a comfortable position.

With an annual dividend yield of 3.93%, the lender pays $1.02 a share dividend quarterly.

Fortis Inc.

If you want to take exposure to one of the best-performing dividend stocks in the utility space, then you should consider the shares of **Fortis Inc.** (TSX:FTS)(NYSE:FTS). The St. John's-based Fortis has a diversified asset base, providing electricity and gas to 3.2 million customers in the U.S., Canada, and the Caribbean countries.

Its U.S. operations account for about 60% of its regulated earnings, while the rest comes from its Canadian and Caribbean operations. With a 3.51% dividend yield and about 6% expected growth in its annual dividend payouts through 2021, Fortis has strong appeal for any retirement portfolio.

Between 2006 and 2019, Fortis's annual distribution increased from $0.67 to $1.80 a share, a very impressive track record of rewarding investors. The company has increased its dividend payout for 45 consecutive years — a record few companies can maintain. Fortis pays $0.45 a share quarterly dividend.

Suncor Energy

There are many reasons that make **Suncor Energy** (TSX:SU)(NYSE:TU) attractive for your retirement portfolio, but the most compelling one is that this company has proven many times that it can weather an oil market downturn much better than other cyclical players.

That strength coupled with Suncor's leadership position in Canada and its growing dividend make it a perfect candidate for retirees.

In the final quarter of 2018, Suncor hiked its payout by 17% to $0.42 a share quarterly and also increased its share-buyback program from $2.15 billion to $3 billion.

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