Make Sure You Retire Only Once

Description

Once you’re retired, few things could be more devastating than realizing that you must go back to work. Sometimes new retirees recognize that they have not saved enough, or they face a severe market correction early in their retirement which wipes out much of their nest egg.

These retirees have two choices: drastically cut their spending or return to work. Neither is an enticing option. The goal should be clear: make sure you retire only once.

With the disappearance of pensions, it has become necessary for workers to fund their own retirement savings. While there are vehicles to make this easier, such as RRSPs and TFSAs, the data shows that Canadians are woefully unprepared financially for retirement.

Many individuals, who plan on working to full retirement age or beyond, are forced to retire early due to a job loss, care for an aging parent or ailing family member, or due to a personal health concern or disability. Sadly, these workers are most likely to find themselves financially unprepared for retirement.

Key to retiring once

The key to retiring only once is to make sure you have an income stream sufficient to cover your basic needs. Retirees who invest in companies with reliable dividends can count on the regular payments, even if the market has a pullback.

While a market correction may necessitate cutting back on discretionary spending, a healthy income stream will ensure that your needs are met.

This will allow you time to recover your losses and not be forced to sell stocks at a loss, facing a greater risk of running out of money in retirement and being forced back to work.

Utility and infrastructure companies, like **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), respectively, offer historically safe dividends that can be counted on forincome replacement regardless of the short-term volatility of the market.

Fortis

Utility company Fortis has increased dividends for 45 consecutive years. That's quite a track record. The company expects to raise dividends by at least 6% a year through 2023. The current dividend is 3.35% and the stock is trading at $53.87 as of this writing.

The company has announced plans to increase its capital spending for the year to $4.3 billion. This additional capital will be used to fund future growth through investments in renewable energy, transmission infrastructure, and grid modernization.

Enbridge

North America's largest pipeline operator Enbridge currently pays a dividend of 6.57%. The company has increased its dividend by 15.1% over the past 10 years. The stock is trading at $44.67 as of this writing.

Enbridge released its most recent quarterly earnings on August 2. While the earnings were good, the release was overshadowed by news of an explosion in the Texas Eastern natural gas line.

The company is currently working with the U.S. National Transportation Safety Board and several other agencies to determine the cause of the blast and ensure that similar accidents do not occur.

The bottom line

While some retirees may choose to return to the workforce, no one wants to be forced to return to work. A reliable dividend income stream can help ensure that you retire only once.

Companies like Fortis and Enbridge, which pay higher-than-average dividends and have histories of steady dividend increases, are excellent choices for this income stream.

CATEGORY

1. Energy Stocks
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