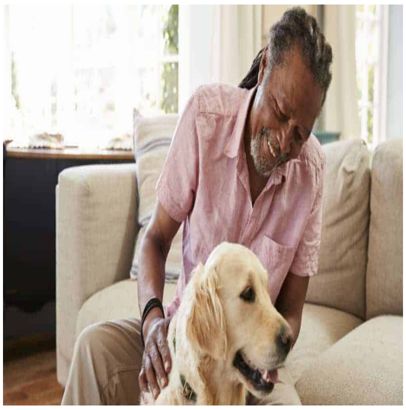

Retirees: This Is the Income Stock for You

Description

I really feel for retirees who are in need of income in today's ridiculous rate environment. GICs and bonds, the traditional income generators for the retiring class, are all but useless. With rates of 2% considered high, it is impossible to generate inflation-beating returns from safe investments.

This caused many retirees to flee into the stock market to get income. Choosing the right stocks can be difficult, though. Many Canadian seniors tried to get income from high-yielding stocks in the wrong places, like the oil sector, and were punished with dividend cuts and capital losses.

What seniors should have been buying were companies with reasonable, growing yields and stable, predictable earnings. If the stock market gets rocky, you're going to be pretty thankful you have most of your money in stable, dividend-growing stocks.

One that should make up a core position in your portfolio is **Canadian Utilities** (TSX:CU). This steady, diversified, dividend-growing company will give you low-volatility stability you crave when dividendless growth stocks come crashing down.

This company is diversified enough to avoid being too focused in one region. Currently, Canadian Utilities has operations in countries such as Canada, Mexico, and Australia.

Much of Canadian Utilities power generation and pipeline transmission business is focused on natural gas. But the company is moving towards becoming greener through the sales of many of its fossil fuel-based energy plants, such as the 50% ownership interest in the 260 MW Cory Cogeneration Station — a sale that closed in July.

The sales of these business units have helped the company strengthen its balance sheet and refocus on renewable energy projects. As of its Q2 2019 report, Canadian Utilities had 25% of its electrical generation capacity coming from its hydropower stations.

Canadian Utilities is, as the name implies, a utility company. Fully 86% of its earnings are regulated, meaning there will be clear visibility for earnings, and therefore dividend, growth over time. The remaining 14% of its earnings come in the form of long-term contracts, largely from the company's extensive pipeline business. These earnings, while not regulated, are also quite stable.

Capital gains have gone essentially nowhere for the past five years, which is a little disappointing. But you have to keep your mind on why you own a stock like this. The purpose of including Canadian Utilities is to provide your portfolio with income stability and steady, long-term growth. This is where the power of this company comes into play.

Canadian Utilities has been paying a dividend for decades. At the current market prices, it sports a yield of 4.4%. That's 2.4% above Canada's target inflation rate of 2%. That dividend payment is almost guaranteed to stay above the rate of inflation as well if the company continues to hike each payout yearly. The latest increase was 7.5% back in January of 2019.

This is a company you can bank on

If you are looking for an adrenaline rush, Canadian Utilities is probably not the stock for you. It doesn't have the hype of the latest tech fad and will not be pushing your portfolio up with rapid capital gains.

But if you are a retiree looking for steady, growing income that you can't get from your GIC holdings thanks to the latest low-rate craze, Canadian Utilities is the one for you. It is steady, stable, and will give you inflation-protected income that will help support your lifestyle in your golden years.

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