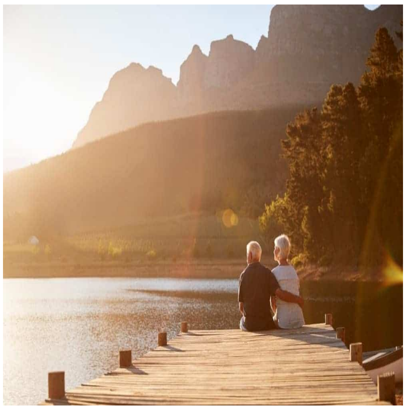

2 High-Yield Stocks That Will Help You Retire Rich

Description

A new report from the accounting firm BDO Canada revealed some troubling information regarding the financial health of the average Canadian citizen. The survey over just over 2,000 Canadians found that many are battling financial hardship and are struggling to prepare for retirement. “An increasing number of Canadians in their 40s and 50s are financially stretched and unprepared for retirement and unexpected costs,” BDO president Doug Jones said in the report.

In the summer, I’d discussed strategies for investors in this new environment. Over one-third of respondents in this BDO survey reported having no retirement savings. I can never reiterate enough: it is never too late to start saving and investing for your retirement. Every little bit helps, but those looking to grow their nest egg can get an extra boost from income-yielding equities.

Today, I want to look at two equities in the telecom sector that are suitable for a retirement portfolio. These stocks boast a wide economic moat and an attractive dividend yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) is one of the largest telecoms in Canada. Shares have climbed 23% in 2019 as of close on September 30. Telecoms, like utilities and equities in the real estate sector, have thrived in the soft rate environment over the past decade. Central banks have backed off from rate tightening after a turbulent finish to 2018, so investors in these equities can hold with confidence.

An increase in wireless customers has been a huge driver for growth at telecoms in the back half of this decade. In Q2 2019, BCE reported 25.5% growth in total wireless, retail internet, and IPTV net customer additions. More importantly for income investors, BCE’s cash flows from operating activities rose 1.8% year over year to $2.09 billion.

This improvement in cash flow inspired BCE to predict that it is positioned to deliver a 12th consecutive year of dividend growth in 2020. For now, BCE offers a quarterly dividend of $0.7925 per share, which represents a solid 4.9% yield.

Telus

Telus (TSX:T)(NYSE:TU) is another top Toronto-based telecom. Its stock has climbed 7.9% in 2019 at the time of this writing. Shares have achieved average annual returns of 13% over the past decade.

Like BCE, an increase in wireless additions has been a huge driver for growth at Telus. In the second quarter, Telus reported wireless customer addition growth of 45%, which included 82,000 mobile phone additions. EBITDA and net income posted growth of 9.8% and 31%, respectively, compared to the prior year. The stock boasts a price-to-earnings ratio of 17.8 and a price-to-book ratio of 2.7, both which are in more favourable territory compared to BCE stock right now.

Free cash flow at the company fell to $324 million compared to $329 million in Q2 2018. However, the company is still projecting annual dividend growth between 7% and 10% through 2022. Telus last paid out a quarterly dividend of $0.5625 per share. This represents a 4.7% yield, which is comparable to BCE in early October. Telus has achieved dividend growth for 15 consecutive years.

CATEGORY

1. Dividend Stocks
2. Investing

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