



## 3 Retirement Stocks That Generate Regular Dividend Income

### Description

During [retirement](#), having a passive income stream can make all the difference. You can supplement or even entirely offset your daily expenses with income you don't have to lift a finger for.

With dividend stocks, a valuable passive income stream is possible. Just be careful: not all dividend stocks are created equal.

At their core, dividend stocks simply return excess cash to shareholders. For example, if a company produces \$200 million in profit this year, yet only needs to reinvest \$150 million back into the business, it can pay the extra \$50 million to shareholders in the form of a dividend.

If the company was worth \$1 billion, that means the \$50 million dividend would result in a 5% dividend yield. In effect, you earn a 5% return on your money simply by owning the stock and receiving the cash dividend. Any potential growth is a bonus.

It's not always this simple, however. Sometimes, a company continues to pay a dividend regardless of whether it can afford it. In the previous example, imagine if the company needed to reinvest \$180 million back into the business to stay afloat. The \$200 million in annual profit wouldn't be enough for both reinvestment *and* a \$50 million dividend.

Often, companies will still choose to pay the dividend, skimping on necessary reinvestment (hurting long-term prospects) or accumulating additional debt. Stay away from these companies!

Fortunately, there are stocks that offer big dividend yields that are sustainable, meaning they still allow the company enough cash for reinvestment. If you want regular dividend income during retirement, the following three picks should be at the top of your list.

### Go with history

**Chemtrade Logistics** ([TSX:CHE.UN](#)) pays a hefty 11.6% dividend, the biggest on this list. For every \$10,000 you invest, you'll receive annual checks worth \$1,160. To earn a passive income of \$50,000,

you'll need just \$430,000. That's still a lot of money, but far less than the \$1 million target that most advisors recommend.

If you think this sky-high dividend is too good to be true, think again. Chemtrade has been paying the same payout for nearly 15 years, never once cutting the dividend. "As we have said for a number of times...we don't see any problem with sustaining our dividend and we plan to actually keep paying it," Chemtrade's CEO recently noted. History suggests he'll be right.

## Pseudo-monopoly

**Inter Pipeline Ltd.** (TSX:IPL) also pays an above-average dividend of 7.7% per year. Again, this is a sky-high payout by most standards, but the underlying business fundamentals suggest that it should be reliable. That's because the company owns and operates pipeline infrastructure.

Pipelines are almost always the fastest and cheapest way for oil and gas companies to ship their product. In many cases, they're the *only* option. That's because pipelines take years to permit and cost billions to build.

It simply doesn't make sense to build pipelines that directly compete with each other. This ensures Inter Pipeline a steady stream of high-margin sales to support its 7.7% dividend.

## Sweet as sugar

After a recent decline, **Rogers Sugar Inc.** ([TSX:RSI](#)) stock now delivers a 6.6% dividend yield. Since 2010, the share price has barely budged, but the company has reliably paid an impressive dividend, as the company was originally set up to be an income vehicle. Rogers Sugar owned a large sugar-producing operation and was established to redirect cash flow back to shareholders.

In recent years, the company has expanded into higher margin goods like maple syrup to ensure ample cash flow for the next decade and beyond. Accounting earnings are a bit lumpier, but the company's long-term positioning is much improved.

Over the last 12 months, the company generated \$0.30 of diluted EPS, more than enough to cover its \$0.27 per share dividend. It's not a great deal of breathing room, but the business doesn't need to reinvest a tonne of cash to survive.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:RSI (Rogers Sugar Inc.)

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