



Retirees: How to Generate the Income You Need

Description

One of the biggest concerns for retirees is not generating enough income for their retirement. You can generate multiple streams of retirement income from the Canada Pension Plan (CPP), Old Age Security (OAS) pension, and your investments.

CPP

The average monthly CPP payment is only \$679.16 for this year — hardly enough for a comfortable retirement. Apparently, though, CPP income is meant to make up only a portion — currently, roughly 25% — of one's retirement income.

OAS and GIS

OAS is supposed to account for another portion of retirees' income, specifically, for retirees who are at least 65 years old. If you have low income, you may also be eligible for the Guaranteed Income Supplement.

Savings and investments

The rest of your retirement income will need to come from your savings, perhaps one that consists of a solid dividend portfolio within an RRSP/RRIF, TFSA, or non-registered account.

You'd want to populate your portfolio with dividend stocks that offer reliable dividends and growth that beats inflation to maintain your purchasing power, such that you'll never run out of money.

Retirees want stability and income. They don't want roller coaster rides in their retirement portfolios but want to enjoy safe passive income from cash cows like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Fortis

Fortis stock offers stability. The top North American utility is regulated with a growing rate base set to grow from \$28 billion this year to \$38.4 billion in 2024, a compound annual growth rate of 6.5%. Because its assets are regulated, the returns it will get on the assets are highly predictable.

Fortis is a wonderful stock for retirees. First, it offers a secure 3.6% yield. Second, it's on course to increase its dividend by about 6% per year over the next few years.

This is on a backing of more than 40 consecutive years of dividend growth. Third, it's a low-risk investment due to the nature of its business and how it's managed.

Fortis stock's 3.6% yield is 50% greater than the 2.4% currently offered by a one-year GIC. Additionally, the dividend is secured by a payout ratio of about 70%.

The combination of the dividend and growth can lead to long-term annualized returns of about 9%.

Enbridge

Enbridge is already the largest energy infrastructure company in North America, but it still has \$19 billion of secured projects in its pipeline (pun intended) to grow the expanding business.

About \$7.8 billion of these projects are being put on stream this year, including the Canadian portion of the Line 3 Replacement Project, the largest project in the company's history!

This means that Enbridge will start generating cash flows on these investments, which will translate to yet another dividend hike in the new year.

The stock already offers a very respectable yield of 5.9%. On increasing its dividend by about 10% in the first quarter of 2020, its yield will be 6.5% based on an investment today.

By investing even just \$100,000 for a safe 6.5% yield, retirees can get extra passive income of \$6,500 per year or \$541 per month! If you have the TFSA room for Enbridge stock, that's even better, because withdrawals from TFSAs are not taxable and won't lead to any OAS clawbacks.

Investor takeaway

Your [retirement income](#) should come from multiple sources, including CPP, OAS, and your retirement savings or investments.

Certainly, in today's low-interest rate environment, it makes good sense to populate your portfolio with [reliable dividend growth stocks](#) like Fortis and Enbridge.

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