Retirees: 2 Income Stocks You Need to Buy Today

Description

I was happy to see that the Bank of Canada was sticking to its decision to keep interest rates steady. While I would have preferred to see the bank raise interest rates to help those who actually drive the economy long term, such as savers, I know it is practically impossible to do so given the sorry state of affairs that the Canadian consumer has gotten themselves into.

Savers have to make some hard decisions to generate yield these days. Retirees in particular have suffered ever since central banks started on these rate-lowering parties a decade ago.

Now, income-seeking retirees, there is really only one way to generate a decent income. Getting into the stock market in some form is probably the best decision you can make, although you have to have a firm grasp on your personal risk tolerance to choose the stock that is right for you.

The safest stocks, namely traditional regulated utilities, are very richly priced with yields that seem to shrink every day. There are still other pockets of the Canadian market that are still cheaper, although with slightly more risk than a utility.

Canadian banks

The Canadian banking group was a bit stale last year, leaving shares at a fairly attractive entry point. The highest yield of the Big Five banks belongs to **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Although it is one of the most exposed to the expensive Canadian housing sector, the bank is still a fairly safe bet from a dividend perspective.

CIBC currently has a yield of about 5.28% as of this writing — a healthy yield for income-starved savers. Combine this yield with the fact that CIBC has raised that yield for many years, and you have a winner on your hands. If it continues to raise its dividend at a pace of around 3% per year, you still have an inflation-beating income stream.

Certainly, the bank did not have the best year in 2019. Net income in Q4 2019 decreased by 6% year over year, which is not encouraging. But there were bright spots, with its U.S. banking and wealth management's net income up 21% year over year.

Telecoms

The largest yield in this space belongs to **BCE**. The Canadian telecom giant is part of an oligopoly that rules the airwaves in this company. With many years of dividend increases under its belt, BCE will give you income to combat inflation as you wait for interest rates to rise once again.

The yield sits at about 5.05% at the moment after the share price has had a big run in recent months. This company raised its payout by 5% in 2019, handily beating inflation. In the third quarter of 2019, BCE increased its net earnings by 6.3% year over year, and free cash flow was up 17.3%. With these results, dividend increases will be likely to continue for years.

The bottom line

Rising interest rates and enabling central banks have forced responsible savers like you to reach further into the risk bucket to secure reliable income streams for your retirement. This makes your golden years more risky as a result, so you have to be careful which stocks you pick. Stocks are not GICs, so there is always downside risk.

Nevertheless, stocks like CIBC and BCE are good, stable companies that pay good dividends with inflation-beating dividend hikes. Besides, stocks also have the possibility to go up rather than down, potentially generating capital gains in addition to the dividends. Buying a Canadian bank like CIBC and a telecom like BCE is a winning combination for retirement income.

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