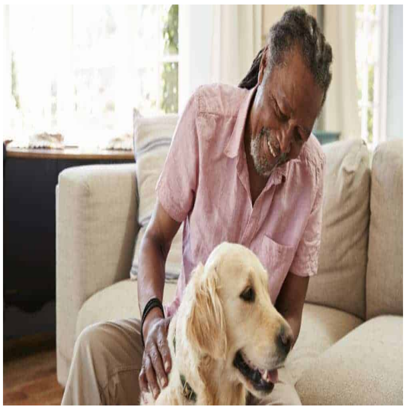

3 Top Canadian Dividend Stocks for Retirees

Description

Retirees need to get the best returns possible from their savings without taking on too much risk. This is challenging in the current environment.

Why?

The rally in the government bond market and a continued meltdown in interest rates means Canadian seniors have few low-risk or risk-free options right now to get decent yield.

How bad is it for savers?

A one-year GIC from the big Canadian banks pays less than 1% today.

Fortunately, there are a number of top-quality dividend stocks available right now that trade at reasonable prices and offer reliable distributions that should be safe throughout the recession, or even continue to grow.

Let's take a look at three top Canadian dividend stocks that might be of interest for a retirement income portfolio.

Fortis

Fortis offer a dividend of 3.5% today. That's quite a bit lower than the yield on other popular dividend stocks, but the attraction lies in the dividend-growth outlook.

Fortis intends to raise the dividend by an average of 6% per year through 2024. This is great guidance for income investors, especially in the current environment. The board raised the dividend in each of the past 46 years.

Fortis operates utilities. Businesses such as power generation, electricity transmission, and natural gas distribution normally operate in regulated sectors and have cash flow streams that tend to be reliable and predictable. Fortis has a successful track record of growing through strategic acquisitions and investments in new projects across the existing asset base.

The current capital program will boost the rate base enough over the next four years to support the dividend growth.

Low interest rates and cheap borrowing conditions help Fortis finance its projects at attractive rates. This helps make more funds available for payouts.

Royal Bank of Canada

Royal Bank is Canada's largest financial institution with a current market capitalization of $140 billion.

Loan losses due to defaults will rise this year and likely in 2021 as well. However, Royal Bank remains a very profitable business and has the capital to ride out the recession.

The bank gets income from several divisions, including personal and commercial banking, wealth management, insurance, capital markets, and investor and treasury services. Royal Bank expanded its presence in the United States a few years ago, and investors could see additional acquisitions down the road.

The stock trades near $98 per share right now compared to the 12-month high around $109. It isn't as cheap as it was three months ago but still appears reasonably priced for buy-and-hold investors.

Royal Bank offers a dividend yield of 4.4%.

TC Energy

TC Energy is the new name for TransCanada. The name change better reflects the overall reach of the business. TC Energy operates natural gas and oil pipelines in Canada, the United States, and Mexico. It also has power generation and natural gas storage assets.

Resistance to major new pipeline projects makes it difficult for TC Energy and its peers to grow as they have in the past, but that doesn't mean they do not have opportunities to expand the revenue stream. In fact, TC Energy has roughly $37 billion in secured capital projects in the works.

As the new assets go into service the company expects cash flow to increase enough to support a dividend hike of 8-10% in 2021 and annual increases of 5-7% beyond next year.

The current payout provides a 5% dividend yield.

The bottom line

Fortis, Royal Bank, and TC Energy all have strong track records of delivering dividend growth supported by rising revenue and earnings. An equal investment in all three stocks would provide an average yield of 4.3% right now.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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