



2 Top Stocks for Retirees

Description

While protecting the principal and generating income may be important to investors in general, they're essential for retirees.

Retirees aren't working anymore. So, they can only grow their net worth (or slow down the decline of their net worth) through investing. They also prefer to receive a steady income from their investments (or they'd be drawing down their assets). They probably want passive income instead of being active investors so that they can spend their time on the things they love doing.

With the above backdrop in mind, here are two top stocks that retirees can consider.

Enbridge stock

Despite a changing energy landscape, a challenging regulatory environment, and a convoluted coronavirus pandemic, retirees can rely on **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock to continue paying out rich dividends.

Even though Enbridge had a drop in revenue, its cash flow generation is as resilient as it has always been through economic cycles. Management's latest 2020 estimate suggests Enbridge would generate distributable cash flow per share of about \$4.65. This would imply a payout ratio of about 70%.

Longer term, management sees an increased global demand for North America's low-cost energy. And Enbridge's energy infrastructure and pipeline systems, across a diversified asset base, are there to cater to the demand.

Enbridge's cash flow is underpinned by about 95% of investment-grade counterparties. The stock is a Canadian Dividend Aristocrat that has paid dividends for more than 65 years and an increasing dividend for 24 consecutive years and counting! Today, the dividend stock offers an attractive yield of close to 7.5% due to the headwinds listed earlier.

This is passive income that can grow by about 5-7% per year when the economy normalizes by 2022.

The high-income stock is also reasonably valued with 12-month upside potential of about 20% according to analysts' average near-term price target.

Fortis stock

Retirees don't want any guesswork in their income. If there were only one top stock for retirees to own, it'd be **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) stock. Its earnings and dividends are absolutely reliable through economic cycles and this pandemic-triggered recession.

Gas and electricity are essential to North Americans' everyday life, which makes Fortis's earnings predictable. The utility stock has an impressive dividend-growth track record of 46 consecutive years, which is among the best in Canada.

Fortis's regulated electric, gas, and electric transmission operations are geographically diversified, delivering reliable energy to its North American customers. It estimates multi-year rate-base growth at a compound annual growth rate of about 6.5%. This is set to drive dividend growth of about 6% per year through 2024.

Right now, Fortis's dividend yield of nearly 3.6% is rock solid. The stock is also reasonably valued with almost 13% near-term upside potential.

The Foolish takeaway

Retirees can protect their money while getting safe dividend income from [Enbridge](#) and Fortis stocks today. They're both reasonably valued and provide an average yield of roughly 5.5%.

They can also increase the passive income by about 6% per year, which greatly exceeds the rate of inflation and can therefore more than maintain retirees' purchasing power.

By aiming to hold the defensive dividend stocks for at least three to five years, retirees should see their passive income and investments grow meaningfully. Specifically, passive-income growth of roughly 20-34% over the period is highly possible.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date

2025/09/14

Date Created

2020/08/18

Author

kayng

default watermark

default watermark