



3 Top Monthly Income Stocks for Retirees

Description

The record-low interest rate environment has made it tough for retirees to generate higher fixed yields. The interest rates could continue to stay low for the long term, reflecting rising coronavirus infections and the virus's impact on the economy.

However, the good news is that retirees can generate monthly income from stocks that offer high and safe yields and can be easily termed as a proxy for fixed deposits.

Pembina Pipeline

With an annual yield of 7.1% and a monthly dividend of \$0.21, shares of **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) are a top investment option for retirees to squeeze higher monthly yields. The significant decline in demand due to the pandemic weighed heavily on Pembina stock, which is still down by 26.5% year to date. However, the decrease in its stock and dividend increase has driven its yields higher.

The lower oil prices are hurting its liquid pipeline volumes. However, retirees should note that Pembina's payouts are very safe, thanks to the highly contractual nature of its business. The company's diversified revenues base, contractual arrangements, and strong fee-based cash flows that do not have direct commodity exposure enable it to cover its payouts.

Investing in Pembina stock not only supplements your monthly income but also presents an opportunity to benefit from capital appreciation in the long term.

TransAlta Renewables

When it comes to dividends, rely on utility stocks. Utility companies generate predictable cash flows, thanks to the rate-regulated structure. The reliable cash flows that keep on growing help these companies to boost investors' returns through higher dividends.

One such top dividend-paying utility stock is **TransAlta Renewables** ([TSX:RNW](#)). TransAlta pays a monthly dividend of \$0.08, which implies a forward yield of 6.0%.

TransAlta's highly diversified utility assets are secured with long-term contracts with an average life of about 11 years. Its contracted portfolio, cost competitiveness, and operational efficiency initiatives [support its cash flows](#) and, in turn, its payouts.

Retirees looking for steady monthly income should keep TransAlta Renewables stock on their watch.

AltaGas

AltaGas ([TSX:ALA](#)) is another top stock for retirees to generate a healthy income. The company's resilient utility assets offer stability and support its payouts. Meanwhile, its midstream operations offer high growth.

The company's monthly dividends of \$0.08 per share translate into a high annualized yield of 5.3%, which is secured by rate-regulated utility assets. Retirees should note that AltaGas generates about 75% of its revenues and [60% of its normalized EBITDA](#) from utility business, and it expects its rate base to grow at 8-10% annually. The high rate-base growth rate implies that its dividends are safe and could continue to increase in the coming years.

Its midstream operations offer high growth, thanks to the increased utilization and higher export volumes. AltaGas's low-risk and high-growth businesses continue to deliver strong cash flows and enable the company to boost shareholders' returns.

Bottom line

Retirees should note that the advantage of investing in these three dividend-paying stocks is to gain from their high yields. Their resilient businesses and diversified cash flows ensure that the payouts are safe. Investors with a long-term investment horizon could also benefit from capital gains.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:RNW (TransAlta Renewables)

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