1 Top TSX Dividend Growth Stock for Retirees to Hold Forever

Description

The Canadian 10-year treasury bond yield is hovering around 0.65% at the time of writing. Five-year Guaranteed Investment Certificates (GICs) could offer about 1.74% a year. There isn't much income to be received from low-risk assets for those entering retirement this year. This compels income seekers to take on some higher investment risks in search of decent yields. The good news is that there are reliable **TSX** dividend stocks that retirees can buy to augment portfolio income today.

One big concern for retirees in need of regular and dependable income is that bond yields could remain low for longer – at least for as long as the Bank of Canada maintains its key rate at 0.25% per annum. Understandably, the apex bank has to augment the government's expansionary fiscal policy. This is necessary to stimulate a pandemic stricken economy back to a stable growth path.

However, until rates can rise again, retirees have to meet daily and monthly recurring expenses. Further, there's the risk of higher inflation in the future after massive economic stimulus packages were announced to cushion citizens from the financial devastation caused by the COVID-19 pandemic.

There's a need to augment interest income over the next several years. And the assets bought for this purpose should offer increasing cash flows to cushion one's purchasing power from inflation. Retirees could consider investing in relatively stable TSX dividend growth stocks to augment retirement income.

I have one such name on my radar that could provide a significant yield boost to a retirement portfolio.

Buy Fortis stock for stable income and wealth growth

Fortis Inc (TSX:FTS)(NYSE:FTS) is one Canadian blue-chip and low volatility stock every retiree should consider owning in an income-generating portfolio. Fortis's stock did not tumble as much as the **S&P/TSX Composite Index** during this COVID-19 pandemic market crush. I like this resilient characteristic.

The $24.8 billion diversified regulated electricity and gas utility company has some of the most contractually protected business portfolios in North America. About 99% of its assets enjoy regulatory rates protection. The risk to the business's cash flows is minimal and will likely remain at low levels for decades to come.

Fortis generated adjusted earnings per share of $0.56 during the second quarter of 2020, up from $0.54 in the same period last year. Even the coronavirus pandemic couldn't do much damage to FTS earnings as it ravaged tourism activity in the Caribbean, reducing power demand. While the stock may not be a bond, its cash flows could be of better quality than some class of corporate bonds.

Investors in FTS stock can expect stable revenue, earnings, and dividend growth rates over the next five years. The company is implementing an $18.8 billion five-year capital expenditure program. The plan was initially expected to grow the base rate at a compound annual growth rate (CAGR) of 6.5% annually between 2020 and 2024.

Most noteworthy, the company will update the market on its growth plan for 2021-2025 on September 23, 2020. Management could maintain is plan to grow the dividend by 6% annually over the next five years. Such increases could beat annual inflation and boost real income. The current quarterly dividend yields a respectable 3.6%.

Retirees could scoop the 3.6% and growing dividend yield on Fortis's stock with confidence given the company's untainted 50-year dividend streak.

Investor takeaway

Fortis is one of the top TSX dividend growth stocks for any retiree to buy and hold forever.

Further, the company's strong and liquid balance sheet will enable it to finance growth projects, grow earnings and support future dividend raises. Even younger investors could make this utility a dependable part of their core portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. 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. Investing

Date
2025/09/09
Date Created
2020/08/28
Author
brianparadza