Retirees: 2 Ultra-Safe Stocks for Dividend Income in 2021

Description

If you're retired, you might bemoan the lack of high-yield investments available today. With bond yields low and GICs paying almost nothing, there's not a lot of yield out there among "safe" securities. Sure, you can throw your money in a bond fund. But if it yields less than 1%, then what's the point? In recent years, Canada's inflation rate has been averaging about 2%. It might be a little bit lower now because of the COVID-19 recession, but it will climb back up eventually.

The simple fact is that bonds and related instruments barely do anything in 2021. With ultra low interest, they're little better than high yield savings accounts.

But that doesn't mean there aren't good investments out there. If you're willing to look into the slightly riskier domain of stocks, there's yield a-plenty. Sure, stocks come with added volatility. But the reward is dividend yields north of 3% and potential capital gains. In this article, I'll be exploring two great dividend stocks for retirees to hold in 2020.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is one of Canada's most reliable long-term dividend stocks. It has increased its dividend every single year for 46 years. As a regulated utility, its revenue is very stable. In its most recent quarter, Fortis' earnings increased by $14 million. That's a strong gain in a period when COVID-19 was hitting many industries in the pocketbooks.

But it should come as no surprise. Utility stocks are generally very stable in recessions. Their core service is a "staple" that people don't cut out of their budgets even when times are tough. People would rather sell their cars than go cold. This fact leads to steady revenue growth and growing dividends for utility stocks like Fortis Inc.

Algonquin Power & Utilities

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN) is another utility like Fortis. Much like

FTS, AQN enjoys high revenue stability owing to its status as a regulated utility. However, there are three major differences between Algonquin's business and Fortis':

1. Algonquin is a much smaller company than Fortis.
2. Algonquin mainly does business in the United States, while Fortis focuses on all of North America plus the Caribbean.
3. Algonquin focuses on innovative renewable technologies like wind and solar.

In its most recent quarter, Algonquin delivered solid results, including:

- 3% revenue growth.
- 27% adjusted earnings growth.
- 6% growth in adjusted EBITDA.
- 23% growth in funds from operations (FFO).

These are all solid metrics. Particularly the growth in FFO. FFO is a strong indicator of a company's ability to pay continued dividends, because it shows the funds that a company gets from its daily operations. At today's prices, AQN stock has a 3.83% dividend yield.

If present FFO growth trends continue, then the company should have no trouble paying its dividend, and the yield should be pretty safe. That makes AQN a retirement dividend pick worth considering.

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