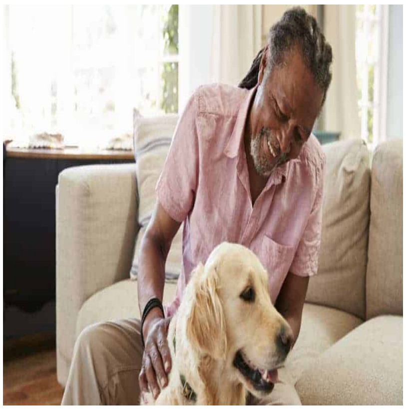

Retirees: 2 Big Dividend Stocks for You

Description

Retirees probably want to enjoy their golden years without having to worry about their investment portfolios. The low-interest-rate environment has reduced their income from fixed-income investments like GICs or bonds.

Do not worry, though. There are higher-income options from big dividend stocks. And you don't necessarily have to take big risks.

Here are two low-volatility big dividend stocks retirees can check out today!

A predictable dividend stock

The best five-year GIC rate available is 1.8%. **Fortis** (TSX:FTS)(NYSE:FTS) stock offers a dividend yield close to 3.9%, which is more than double that of the GIC rate.

Fortis is a suitable stock for a retirement dividend portfolio for its predictability and low volatility. It is a diversified regulated utility with electric, gas, and electric transmission assets. Since it's regulated, and 93% of its assets are for transmission or distribution, its earnings are highly predictable and stably growing.

The utility stock is so predictable that it has continuously increased its dividend for 47 years. This streak has no end in sight, as its dividend is protected by a sustainable payout ratio and growing earnings.

Management estimates its multi-year $19.6 billion capital plan and a rate-base growth of about 6% will drive average dividend growth of approximately 6% per year through 2025.

Importantly, the dividend stock is a good value today. At under $52 per share at writing, it trades at a modest discount of about 12% from analysts' average 12-month price target. So, buying shares today ensures safety of principal and a dividend that's growing at a decent pace.

Yahoo Finance indicates Fortis stock's recent beta is 0.06 compared to a beta of one for the Canadian stock market. So, Fortis stock tends to exhibit super-low volatility.

A dividend stock for more income

BCE (TSX:BCE)(NYSE:BCE) is another low-volatility dividend stock many retirees like for passive income. BCE's recent beta is 0.29. And it offers a juicy yield of just north of 6% at about $55 per share at writing.

Due to its wireless and internet offerings, the big Canadian telecom delivered resilient results in 2020. So far, it revealed Q1-Q3 2020 revenue and adjusted EBITDA that were down only about 4% year over year.

Although it showed adjusted earnings per share falling 15%, its free cash flow increased 14% primarily from greater operating cash flow generation. Its free cash flow payout ratio was 71% in the period, which was more than enough to protect its dividend.

Over the next few years, retirees can reasonably expect an average dividend-growth rate of 3-5% per year.

The dividend stock is fairly valued today. Specifically, it trades at a discount of about 8% from analysts' average 12-month price target.

The Foolish takeaway

Unlike GICs, stocks are inherently volatile. Retirees who are transferring more of their capital to dividend stocks due to low interest rates need to get used to that volatility.

Fortis and BCE stocks are as low volatility as they get. Both stocks provide big dividends and income growth that beats inflation to more than maintain your purchasing power.

If you're looking for greater growth, check out these two top Canadian dividend stocks to buy now. They offer greater upside potential with one idea providing a juicy yield of 5.8% at writing!

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