Retirees: 3 TSX Dividend Stocks for Passive Income in 2021 and Beyond

Description

As interest rates are low, many retirees have transitioned a bigger portion of their nest egg from fixed income investments to dividend stocks. Thankfully, though they're typically viewed as riskier than fixed income investments, stocks aren't necessarily risky.

Currently, there are some plausible passive income options for retirees in the stock market. The following stocks are from different industries, for your convenience, as a starting point for your diversified passive income portfolio.

Fortis stock yields 3.9%

Fortis (TSX:FTS)(NYSE:FTS) stock is a no-brainer buy for retirees. As a regulated utility, it's stable and defensive. It earns highly predictable and stable earnings that have resulted in dividend growth of 47 consecutive years!

Over the years, Fortis has become more diversified, making its earnings as sturdy as ever! It's a leading North American utility with key operations in Canada and the United States. Primarily, it owns regulated electric, gas, and electric transmission businesses.

Notably, the dividend stock is attractively priced. At $51.57 per share at writing, it offers a yield of 3.9% and 12-month upside potential of about 15%. Consequently, the low-risk investment has estimated near-term total returns of almost 19%.

Bank of Nova Scotia stock yields 5.2%

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stock is one of the Big Six Canadian banks that enjoys returns on equity (ROE) in the teens range in normal years. While the last 12 months weren't normal due to pandemic impacts, it still posted a respectable return on investment of close to 10% and maintained its dividend. Because of its normalized payout ratio of about 50%, it had no problem stretching its payout ratio to about 67% last fiscal year.

Scotiabank continues to maintain a strong Common Equity Tier 1 capital ratio of about 11.8%. And it will benefit from an economic recovery after the pandemic, especially from the emerging markets in the Pacific Alliance countries.

Over the medium term, the quality Canadian bank aims for an earnings-per-share growth rate of 7% and an ROE of more than 14%. At about $69 per share, BNS stock is reasonably priced with a safe dividend yield of 5.2%.

H&R REIT yields 5.7%

Diversified real estate investment trust (REIT) **H&R REIT** (TSX:HR.UN) owns office, retail, industrial, and residential properties in North America. Its funds from operations (FFO) only dropped by about 5% last year.

Because it cut its cash distribution by about half in May 2020, there's a big margin of safety for its current dividend yield of about 5.7%. Its payout ratio is estimated to be about 50% going forward.

Perhaps management decided on the big dividend cut to prepare for uncertainties revolving around retail properties, as some retailers had trouble even before the pandemic.

H&R REIT stock is essentially an income and value play. At $12.19 per unit at writing, it trades at a whopping 45% discount from its recent net asset value (NAV) of $22.11 per unit.

Even if it just recovers to 85% of its NAV as it had done before, that would still suggest upside potential of more than 50%.

Notably, H&R REIT pays out cash distributions which are taxed differently from Canadian eligible dividends that Fortis and BNS provide. Therefore, you might choose to buy the stock in a TFSA or RRSP/RRIF to save yourself from tax-reporting headaches.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BNS (Bank Of Nova Scotia)

4. TSX:FTS (Fortis Inc.)
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