Retirees: 2 Canadian Dividend Stocks Perfect for Retirement Income

Description

Investors who have retired or are nearing retirement typically have a lower risk tolerance. Reduced earning capacity, increasing healthcare costs, and longevity risks make it reasonable to become risk-averse as you age.

If you are a Canadian retiree looking for investment opportunities that are fundamentally strong and reliable, you might want to read this post. Today I will discuss two excellent dividend stocks that you could consider adding to your portfolio.

Investing in these two companies and storing the shares in your Tax-Free Savings Account (TFSA) could let you generate substantial passive income. You can enjoy the flexibility of tax-free growth and withdrawals in your account. You might not even need to worry about the OAS clawback due to your passive income.

Telus

Telus (TSX:T)(NYSE:TU) is an ideal dividend stock to consider for safe and reliable returns. As the world becomes more interconnected and digital, the demand for telecom services will only increase. Telus has shown its sheer importance during the pandemic. Despite a broad decline in the economy, Telus continued its growth by adding over 250,000 new customers in its fourth fiscal quarter for 2020.

The company's top line increased 5.2% on a year-over-year basis. The company's management is hopeful that its revenues will increase by 10% this year and the adjusted EBITDA by 8%. The company recently raised around $1.3 billion through new equity offerings and plans to use the capital to expand its fiber-optic broadband services, along with its 5G network rollout.

Telus has several growth drivers and a strong liquidity position. It is safe to say that its dividends are virtually guaranteed.

Canadian Utilities

Canadian Utilities (TSX:CU) is another excellent asset to consider adding to your retirement income portfolio. The diversified energy infrastructure company has operations that include the transmission and distribution of gas and electricity. It has operations for power production and storage as well. The company sells a substantial portion of its power through long-term contracts, allowing it to generate predictable cash flows that are virtually guaranteed by its long-term contracts.

Canadian Utilities offers a juicy $0.4398 dividend payout per share, and it plans to invest over $3.2 billion in its regulated utility and secured growth projects. The successful endeavors combined with Pioneer Natural Gas Pipeline’s acquisition could offer a substantial boost to its earnings and cash flows.

Utilities typically generate guaranteed returns because the services that these companies provide are essential to all industries and individuals. Due to the highly regulated nature of the industry, Canadian Utilities might not offer much in terms of capital gains. However, it can provide you with reliable, predictable, and regular dividend payouts for a long time.

Foolish takeaway

Creating a passive income stream through your TFSA that can supplement your retirement income could help you enjoy greater financial security during your golden years. Ideally, you need safer and reliable income-generating assets to offer you virtually guaranteed dividend income. Telus and Canadian Utilities could be excellent assets to consider for this purpose.

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