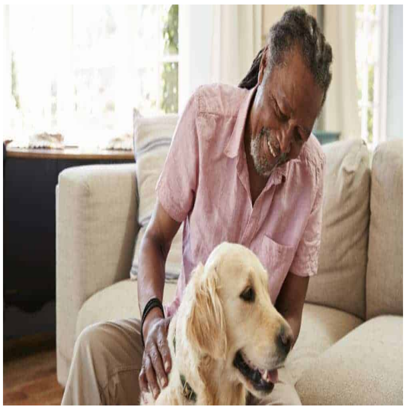

Retirees: How to Boost Your Passive Income Despite Low Interest Rates

Description

Stepping into retirement can be both exciting and worrisome. Finally, you have all the time in the world to do what you want! What's worrisome is that interest rates are low and the income that you can generate from low-risk investments is minuscule.

With life expectancy increasing, retirees could more easily outspend their savings during decades of retirement life. For reference, according to *Macrotrends*, the average life expectancy in Canada is about 82 years.

Retirees are making less income than they're when they're working full time. Therefore, they may not be able to earn enough income to live on simply by putting their savings in GICs for the sake of avoiding risk.

The best five-year GIC rate is going for 2.1%, which roughly matches the long-term targeted rate of inflation of 2%. Therefore, retirees can maintain their purchasing power via this GIC rate.

Ideally, retirees would want nice income on their investments, which are also growing faster than inflation. Buying defensive dividend stocks can kill two birds with one stone. You can boost your passive income and grow your wealth at the same time!

Hold Fortis stock for safe, passive income

Fortis (TSX:FTS)(NYSE:FTS) stock is a trustworthy dividend stock for retirees. The regulated electric and gas utility generates highly stable earnings in good and bad economic conditions.

No wonder Fortis stock is a reputable Canadian Dividend Aristocrat that has increased its dividend for 47 consecutive years. This is one of the longest dividend-growth streaks on the **TSX**!

Because of Fortis's defensive and high-quality nature, the dividend stock commands a premium valuation. Its 10-year average valuation is about 19.4. Currently, the stock is fairly valued and offers a yield of close to 3.7%, which provides roughly 75% more income than the 2.1% GIC rate.

For a bargain, retirees can aim to buy it for a +4% yield. This implies a maximum buy target of $50.50 per share from the current annualized payout of $2.02 per share. Notably, Fortis pays a quarterly dividend.

Importantly, Fortis stock aims to increase its dividend by about 6% through 2026, which is roughly three times the long-term targeted inflation rate of 2%.

Buy Enbridge stock for more passive income

Some retirees need to live off of more passive income than a yield of about 4%. If so, you can consider buying high-yield stocks like **Enbridge** (TSX:ENB)(NYSE:ENB). Its yield of about 7.2% is more than three times the 2.1% GIC rate!

Enbridge is the largest North American energy infrastructure stock and a Canadian Dividend Aristocrat with 25 consecutive years of dividend increases.

Its dividend is well protected by its distributable cash flow on a payout ratio of about 65%. Investing $10,000 in Enbridge will generate a passive income of about $720 per year initially. Over the next couple of years, the dividend stock can probably increase its dividend by approximately 3% per year.

The Foolish takeaway

Retirees who seek greater income can consider increasing their stock exposure. You need not take excessive risks. Instead, consider defensive dividend stocks that are income focused, including Fortis and Enbridge. Always focus on dividend safety by checking on the companies' earnings or cash flow stability and the sustainability of their payout ratios.

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Date
2025/07/28
Date Created
2021/04/19
Author
kayng