2 Top Stocks Retirees Should Buy

Description

Prospective retirees look forward to being free of work or work-related stress. However, the challenges they're about to face could be more daunting than their working lives. You need to cope with inflation or rising costs of living during the sunset years. Also, you must make sure you can survive uncertain economic times.

Canadian retirees have foundations in the Canada Pension Plan (CPP) and Old Age Security (OAS). Both pensions are guaranteed lifetime incomes, yet many retirees regret not having enough nest eggs. The bottom line is that relying on only your CPP and OAS is risky.

Apart from other income sources, you need to recession-proof your cash flows to enjoy a comfortable retirement. The retirement-friendly stocks are the **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Canadian Utilities** (TSX:CU). This pair belongs to the **TSX'**s Dividend Aristocrat stable.

First to pay dividends

The dividend track record alone will give you the confidence to invest in Canada's fourth-largest bank. BMO is the company that started dividend payments. The payouts of this $73.61 billion bank commenced in 1829, and over the last 48.4 years, the total return is 24,311.36% (12.03% CAGR).

BMO trades at $116.01 per share today with a corresponding dividend yield of 3.65%. If your goal is to produce a quarterly income stream of at least $2,500 or $10,000 yearly, you need to invest $275,000. Keep reinvesting the dividends and your capital should balloon to $563.2 million in 20 years.

High-growth tech firms are no match to BMO's staying power as an income provider. The bank is more established, while profits are secure. Hence, the investment income you'll derive is pension-like. Management keeps the payout ratio in check, usually not more than 55%. You can forget the market noise and be worry-free in the retirement phase.

Generous income-giver

Canadian Utilities isn't as old as BMO, and its size is only 13% ($9.51 billion) of the bank. However, the utility stock pays a more generous 5.09% dividend for the $34.53 stock price. The total return over the last 38.6 years is 8,257.18% (12.14% CAGR).

Atco Ltd. owns 52% of Canadian Utilities. The company's core investments are in pipelines and liquids, electricity and retail energy. Since 95% of earnings come from regulated sources, cash flows are stable and predictable. Management is currently implementing the $3.5 billion capital investment plan that focuses on building a globally diversified portfolio composed of utility and energy-related infrastructure assets. The plan will culminate in 2022.

Furthermore, the dividend growth streak is mighty impressive. Canadian Utilities has increased its dividend for 49 consecutive years that date back to 1972. The compelling reasons to invest in this utility stock are highly regulated consistent earnings, and an above-average dividend yield.

Survive the adversities

Canadians with a clean bill of health have the option of delaying CPP and OAS payments until 70 to boost benefits payments. The wait is worth it, although the higher pensions may still be insufficient during a recession, depression, or high inflation. Such events are inevitable and beyond your control.

Investment income from established dividend stocks should prevent financial dislocation or help you endure the adversities. It would be advantageous to take calculated investment risks until you can secure other income sources besides your pensions.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:CU (Canadian Utilities Limited)

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