Canadian Retirees: 2 Safe Dividend Stocks to Buy in a Fragile Market

Description

Canadian retirees are between a rock and a hard place these days. Higher inflation is a threat to one's cash hoard and equity portfolio. Rate hikes also do not bode well for equities and most fixed-income securities. Gone are the days where one can retire and live off the high coupons of generous risk-free debt instruments.

Undoubtedly, retirees have it tough. Bond yields are ridiculously low and unrewarding. Heck, they may not even be worthy of holding anymore. Equities, however, may be too much volatility for many older retirees to handle. Still, to thrive in today's difficult market environment, one must change with the times. That means diversifying across a broader mix of asset classes and placing a larger chunk of one's nest egg in dividend-paying equities.

Investing in stocks doesn't have to be a risky proposition, especially if you've got a long-term time horizon. Many safe Canadian dividend stocks are very bond-like in nature. It's these "bond proxies" that I think retirees can lean on through these difficult times, where prospective returns are low — so low such that it encourages greater risk-taking.

Top "safe" dividend stocks for Canadian retirees

In this piece, we'll look at **Fortis** (TSX:FTS)(NYSE:FTS) and **Hydro One** (TSX:H), two of my favourite high-yield "safety" stocks that can act as a core foundation to any income-oriented retirement fund. Without further ado, let's have a closer look at each "Steady Eddie" utility stock to determine if it's a right fit for you and your unique situation.

Fortis

Fortis is quite the uneventful stock. With a bountiful 3.6% dividend yield and an above-average growth rate (as far as utilities are concerned), Canadian retirees can expect 5-6% in annualized dividend growth over the next decade. The company has one of the most secure operating cash flow streams out there, and for that reason, it's one of my favourite "bomb-shelter" holdings to hold in case market waters become rough.

The 0.06 beta implies Fortis stock has a near-zero correlation to the broader markets. So, when the next market correction hits, odds are, Fortis stock will do a better job of holding its own, allowing it to buoy your portfolio above the water. Moreover, the odds are also greater that Fortis will be a lonely green arrow in a sea of red. I like to view the low beta and high yield as “shocks” for your retirement fund when volatility strikes.

Although there are no guarantees that Fortis won’t plunge in the next market-wide meltdown, I think Fortis’s traits make it a must-own stock, especially in today’s uncertain environment.

Hydro One

For those looking for more yield and low volatility, it’s tough to do better than Hydro One. The stock boasts a 0.19 beta alongside a slightly juicier 3.5% dividend yield. The company has a virtual monopoly over Ontario’s transmission lines. Because of this, regulations have made it tough for Hydro One to jack up prices on its services, making it harder to grow.

Indeed, Hydro One isn’t a company you’d buy if you want meaningful growth over time. Still, the high degree of regulation, which can be both a blessing and a curse, makes Hydro One’s payout one of the safest on the TSX.

With shares trading at just 10.1 times trailing earnings, Hydro One is also a great value at these levels. So, as others look to take more risk, it can literally pay dividends for Canadian retirees to take a step back and scoop up the underrated defensive dividend stocks.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/07/02
Date Created
2021/06/24
Author
joefrenette