2 Stocks for Creating a Massive Dividend Income Stream in Retirement

Description

Investors can't afford to be short-sighted. Ideally, no one should be short-sighted enough to make "gratifying" short-term decisions with bad long-term outcomes. But investors suffer from this negative trait more than people, in general, do, especially if they are saving from retirement.

There are several decisions you have to take with "what the future might look like" on your mind. You can make changes to your investment portfolio, your investment approach, and move around assets (and you'll have to) during the decades between now and retirement. But a portion of your portfolio should also focus on the appreciation and cumulation that time offers you.

It applies to both growth stock/index funds and dividend stocks. And if you are investing in a dividend stock primarily for your retirement (ideally in your RRSP), it's a good idea to consider a DRIP plan. If the stock isn't too expensive, the yield is high, and the company can sustain its payouts, reinvesting gives you a chance to substantially "thicken" your passive income stream (through dividends) by refeeding it to itself.

There are two stocks you might consider for this.

A tissue company

Now that the pandemic is behind us, the panic-buying of toilet-rolls, one of the most unruly trends of 2020, is thankfully long gone. But a small-cap company in this domain, **KP Tissue** (TSX:KPT) is still worth buying for its powerful 7% yield. The company has sustained its dividends through the financial onslaught of 2020 and has been paying $0.18 per share to its investors since 2017, at least.

At its current yield, if you invest $10,000 in the company, you'll get around $700 a year. At the current price of $10.25, you can buy about 68 shares with this payout (considering that the price doesn't change). So within a year, you'll add about $12.24 more dividend income to your current income stream.

It rarely goes this smoothly, but say that through a DRIP plan, you manage to buy about 40-50 shares each year of the company. You'll be able to grow your payouts by a substantial margin in two or three decades.

An energy aristocrat

If you rather invest your money in a company that not just sustains its dividends but grows the payouts as well, **TC Energy** (TSX:TRP)(NYSE:TRP) is an aristocrat worth considering. The company has grown its dividends for two decades and is currently offering a juicy yield of 5.6%. If you invest $20,000 in the company, you'll get around $1,120 a year.

If the price doesn't change much for the first year, at $61.6 per share, you can buy about 18 units of the company. At $0.87 per share dividends, you will add $15.6 into your dividend stream in the first year. There are other benefits of considering TRP as well. The first is that its dividend growth is more than just symbolic. It rose its dividends from $0.81 per share in 2020 to $0.87 per share in 2021.

Another reason is that in terms of the decade, the energy giant might offer decent capital appreciation as well.

Foolish takeaway

You can augment this strategy even more by finding high-yield stocks that are currently undervalued. It's important to note that this strategy doesn't always work very smoothly, but when it does, it can help you create powerful passive income streams for your retirement.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:KPT (KP Tissue Inc.)
3. TSX:TRP (TC Energy Corporation)

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