Retirees: How to Build a 2nd Pension With Low-Risk Stocks

Description

Older folks who are still saving for retirement generally have lower risk tolerance than their younger counterparts. When the time horizon before the retirement date is relatively short, you can't afford to make risky bets. The pandemic environment compounds the situation for would-be retirees because of greater uncertainties.

If the goal is to build a second pension, you can do it yourself by investing in low-risk dividend stocks. Today, **Canadian Utilities** (TSX:CU) and **NorthWest Healthcare Properties** (TSX:NWH.UN) are superb choices for risk-averse investors. Both dividend payers offer capital preservation and recurring income streams.

Longest dividend growth streak

A business with core investments in vital services such as electricity, pipelines & liquids, and retail energy should be top on your shopping list. Canadian Utilities, with its $9.46 billion market cap, is worthy of consideration. Apart from the high 5.04% dividend, the utility stock has the longest dividend growth streak (49 years) on record.

While Canadian Utilities isn't a high flyer on the **TSX**, it assures investors of uninterrupted income streams. The long-term contracts from its regulated assets (95%) support the strong cash flows and dividend payments. Its total return in the last 38.85 years is an impressive 8,455.59% (12.13% CAGR). Also, the current share price is less than $40 (only $34.91 per share).

Assuming the holding period is 20 years and the yield remains constant, a $113,000 investment will compound almost $500,000. By then, the annual investment income would be $25,383.07 or around $2,115.26 every month.

Canadian Utilities is well entrenched in Canada as well as in Australia and Latin America. Its electric power lines stretch 75,000 kilometers, while its pipeline network is 64,000 kilometers long.

The globally diversified portfolio consists of electricity transmission and distribution, natural gas distribution (local and international), and transmission.

In Q1 2021 (quarter ended March 31, 2021), management spent $200 million in capital projects to fortify its regulated utilities. Also, it reported a 2.49% and 6.3% increase in consolidated revenue and adjusted net earnings versus Q1 2020.

Finally, Canadian Utilities will soon develop a 325-MW Central West Pumped Storage Hydro Project in Australia to add to its growing portfolio.

Expanding geographic footprint

NorthWest Healthcare is rose to prominence in the pandemic era for obvious reasons. The $2.76 billion real estate investment trust (REIT) boasts a high-quality healthcare real estate portfolio. Besides Canada, the leased properties are in Australia, Brazil, Germany, the Netherlands, and the U.K.

In Q1 2021 (quarter ended March 31, 2021), the REIT continued to expand its geographical footprint, as evidenced by the 16.2% increase in assets under management (AUM) compared to Q1 2020. NorthWest Healthcare assembled ten high-quality hospitals in the U.K. last year.

Management plans to pursue its growth initiatives in 2021, particularly in the U.S. and select Western European markets. The compelling reasons to invest are a high portfolio occupancy rate (97%) and weighted average lease expiry of 14.3 years. As of July 19, 2021, NorthWest Healthcare trades at $12.84 per share. The dividend yield is a fantastic 6.11%, while the payout ratio is less than 60%.

Added financial security

Canadian Utilities and NorthWest Healthcare Properties are top-notch investments for retirees wishing to create a second pension. The dividends are rock-solid because the businesses are stable and enduring. Both dividend stocks will provide financial security to retirees for years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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