3 High-Dividend Canadian Stocks for Early Retirement

Description

Do you want to retire early? If so, you've got your work cut out for you. According to a poll of financial advisers, the average Canadian needs about $750,000 to retire. At a 3% yield, that gives you about $22,500 a year. Combined with CPP and OAS, that might be enough to live on. But if *early retirement* is your goal, you won't have CPP and OAS to rely on. So, you'll need either more money or a higher yield. In this article, I'll explore three TSX stocks that may just throw off enough dividends to retire on $750,000.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a TSX energy stock with a 6.84% yield. $750,000 invested in ENB stock pays $51,300 a year. That's easily enough to live on if you've got your house paid off and you budget well — particularly if you tax shelter a portion of your portfolio. Not only that, but Enbridge's dividend has been growing over time. Over the last five years, the compound annual growth rate in dividends has been 9%. If that trend continues, and you buy ENB stock today, your yield on cost will eventually go much higher than the current 6.84%. So, this is one retirement dividend stock with a lot of potential.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) is a renewable energy utility that delivers hydro, solar, and wind power to customers across Canada, the U.S., and Australia. It pays out a $0.783 dividend every single month. On an annualized basis that gives us a 4.49% yield. If you invest $750,000 at a 4.59% yield, you get to $34,425 in annual income. That's a pretty decent little income supplement right there. Maybe it's not enough to live on on its own, but if you live in a low-cost-of-living area, it's possible. On top of that, RNW's dividend has the potential to grow. In the second quarter, RNW's cash from operations grew by about 12%. If the company can keep modestly growing its cash flow, then it can modestly grow its dividend, too. That could result in a higher yield on cost in the future.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is a Canadian bank stock with a 3.95% yield at today's prices. If you invest $750,000 at a 3.95% yield, you get to about $29,625 in annual income. Maybe that's not enough to retire on, but CM has some *serious* dividend-growth potential. CM stock has grown its dividend by a respectable 6% annualized over the last five years. If it keeps up that growth, then a position bought today will have a higher yield on cost in the future.

Will it keep up that growth?

It's hard to say, but here's one thing: CM's most recent quarter saw massive growth, with net income up 321%, EPS up 328%, and a large improvement in return on equity. A lot of that is because the bank was comparing itself to a prior year quarter with huge COVID-19 damage in the equation. However, there was modest sequential growth (about 2%) in the picture as well. So, CM's second-quarter growth wasn't just a matter of base effects. It's a successful, growing bank.

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1. Dividend Stocks
2. Investing

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5. TSX:RNW (TransAlta Renewables)

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Date
2025/08/25
Date Created
2021/08/19
Author
andrewbutton