1 of the Best Canadian Dividend Stocks to Fund an Early Retirement

Description

There's a rule of thumb out there that says you should have X amount of dollars invested in Canadian dividend stocks before you even think about retiring. Undoubtedly, there's no one-size-fits-all amount for everybody, especially young Canadians who seek to exit the workforce earlier in life.

The amount you'll need depends on the income-paying securities you plan to own, the risks you'll bear from such investments, and the cost of the lifestyle you seek in retirement. Are you okay with living frugally? Or would you rather retire comfortably? Or do you want a retirement hat's more than comfortable, with ample excess cash to spoil the kids? For millennials who seek to retire early, one could, in theory, accelerate their retirement plans by checking out higher-yielding securities like those in the REIT world.

Still, with inflation as high as it is, yields may not be all they seem today. In any case, many millennials with plans to retire in their 40s as a part of the Financially Independent, Retire Early camp will need to make sacrifices to hit their goals.

Canadian dividend stocks can fund an early retirement

In this piece, I'll assume you'll have a modest sum to put to work on passive income-generating securities and that you're willing to reach a bit farther for yield. While Warren Buffett is no fan of pursuing higher yields, he does understand the situation that many prospective retirees face in today's tough environment.

Gone are the days where fixed-income debt securities — which are supposedly free from risk — offer a return that makes sense. While higher yields do, on average, come with higher risks, the risk/reward trade-off can be tilted in favour of the investor. With ample homework and a thorough analysis of cash flows, one can retire early, albeit frugally, with a modest sum (below $500,000).

In this piece, we'll have a closer look at one of my favourite Canadian dividend stocks that appear to be great candidates to finance a passive income stream for young investors seeking to retire early.

Enbridge: One of the friendliest Canadian companies

Enbridge (TSX:ENB)(NYSE:ENB) is a great pick for prudent investors who want to reach for higher yields without risking their shirts. The company is incredibly friendly to its shareholders, with frequent dividend hikes on schedule despite industry headwinds or company-specific issues. While the strategy to return capital to shareholders has caused the balance sheet to be stressed, the firm has found ways around the situation to keep investors happy.

Undoubtedly, dividend cuts and a side of capital losses are a worst-case scenario for income investors in retirement. At any instance in time, the tides will either be working for or against the midstream operators. Management knows this, which is why they're willing to stretch a bit farther for investors when times are tough. The tough times don't last forever.

Today, the tides have shown signs of reversing in a big way. And with a growing sustainable energy business that could offset emissions, I think Enbridge is a great buy for the 6.9% yield. *Do* be ready for volatility, though, as Enbridge has had more than its fair share of double-digit plunges over the years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. joefrenette

Category

1. Dividend Stocks
2. Energy Stocks

Date

2025/09/13
Date Created
2021/08/20
Author
joefrenette