



## The 2 Best Stocks for Canadian Retirees

### Description

The general concern of would-be retirees is replacing their regular paychecks in post-retirement. While Canadians can claim their Canada Pension Plan (CPP) as early as 60 and then the Old Age Security (OAS) at 65, the combined pensions might not be enough to maintain your current standard of living.

Retirement planners use the retirement income replacement ratio to help people focus on retirement goals. The CPP, for example, replaces only 25-33% (depending on contribution and age of the user) of the average pre-retirement income. There's an income gap you need to fill to ensure financial security or avoid economic dislocation.

Dividend stocks are the [typical choices](#) if you have money or savings to invest. On the TSX, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) may be considered low-risk income sources and the best stocks for retirees. Both companies have the size and financial strength to overcome market risks.

### Solid capital position

Canada's largest bank isn't a hard sell, because the country's banking system is known as the safest globally. RBC and its industry peers are conservative lenders and have stringent policies in place. Besides the solid capital position (\$182.98 billion market cap), the bank's dividend track record is 151 years.

Over the last 48.79 years, RBC's total return has been 47,227.02% (13.46% CAGR). The current share price is \$128.43 (+26.28% year to date), while the dividend yield is 3.36%. After Q2 fiscal 2021, the excess capital reached \$9.9 billion. However, the banking regulator needs to lift the [moratorium on dividend increases](#) before RBC can hike dividends, if ever.

Also, RBC reported a 171% increase in net income versus Q2 fiscal 2020 following the significant reduction in provisions for credit losses (PCLs). For YTD 2021 (nine months ended July 31, 2021), net income grew 48% compared to YTD 2020.

David McKay, RBC's president and CEO, said the bank has the luxury to see accelerated growth. He said that dividend hikes and share buybacks wouldn't consume RBC's remaining capital on its balance sheet.

## Long-lived cash flows

Enbridge is widely known for its best-in-class energy infrastructure franchises. Despite the inherent volatility in the energy sector, the stock is the top core holding of dividend investors. The \$102.3 billion pipeline giant pays a [generous dividend](#) (6.61%) and is a Dividend Aristocrat, no less. Its current share price of \$50.50 should be a good entry point.

For illustration purposes, a \$139,000 investment today could grow to \$500,000 in 20 years. Assume further that you own \$139,000 worth of Enbridge shares today; the quarterly dividend is \$2,296.98. Thus far, in 2021, the energy stock's gain is 30.74%.

According to Al Monaco, Enbridge's president and CEO, the diversified pipeline-utility model is a competitive advantage. It drives predictable results in all market cycles. The four blue-chip franchises, composed of high-quality assets, generate long-lived cash flows.

Enbridge also expects exponential growth from renewable power, its fourth franchise. Because of long-term power-purchase agreements (PPAs), the business model should minimize risk and deliver strong returns. Management is preparing to develop low-cost options for long-term growth and a lower carbon economy.

## Continuous income

You don't need to think twice about investing in Royal Bank of Canada and Enbridge. The two stocks are best for retirees. Both have endured the worst recessions and emerged stronger after every crisis. Their share prices could drop, but your income streams are continuous.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:ENB (Enbridge Inc.)
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