3 Safe Growth Stocks That Retirees Should Be Buying

Description

Your retirement stock prerequisites and selection criteria change over time. When you are decades away from your retirement, you can (and should) afford to take a few risks and should have a healthier appetite when it comes to retirement stocks, compared to when you are close to retiring.

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And it's not just about the preservation of capital, though that's an important factor. Dividend stocks can help you earn a decent income in retirement without you needing to sell off your stake in different holdings, technically preserving your capital forever (unless the stocks tank).

While dividend stocks can be your best friends in retirement, you shouldn't stay away from growth stocks. A few safe growth stocks in your retirement portfolio can offset the decline of your capital that's inevitable if you augment your retirement income by systematically selling some of your stocks.

A financial service company

A safe growth stock is, ironically, a stock that's tied to most of the stocks in Canada, i.e., **TMX Group** (TSX:X). The "financial service" company owns and operates the two national stock exchanges in addition to a few smaller exchanges. It has a market capitalization of about $7.5 billion and a relatively safe financial model that's still recovering from the 2020 crash.

The stock has grown at a decent pace in the last five years, returning over 125% to its investors, which equates to a five-year compound annual growth rate (CAGR) of about 22%. If the company can sustain a yearly appreciation rate of 20% and over, the growth is powerful enough to keep your retirement portfolio from shrinking too fast (given that you don't sell too much of it each year). It also offers a modest 2.2% yield.

A bank

National Bank of Canada (TSX:NA) is an amazing retirement growth stock for multiple reasons. It's safe, offers generous dividends, has a stellar dividend history as a Dividend Aristocrat, and it's one of the most powerful and consistent growth stocks in the banking sector.

The 10-year CAGR of 15.4%, though not a true representative of the bank's growth potential (because the numbers were skewed due to rapid post-pandemic recovery), is close enough to the sustainable growth pace the bank is capable of offering.

It has a relatively localized presence. While it's not a great note to hear in this era of the digital bank, it does result in customer loyalty, which is a strong point in the bank's favour, especially for retirees that want to invest in safe growth.

A collision centre operator

Boyd Group Services (TSX:BYD) is a pure-play growth stock that comes with a pretty hefty price tag, thanks to the consistency (and powerful pace) of its growth. The 10-year CAGR of 39.6% is through the roof and is capable of doubling your money in less than three years.

So even if you sell a tiny portion of your stake in this company each year, you might technically be growing your stake over the years.

Boyd is also a dividend payer, or rather, a Dividend Aristocrat that has grown its payouts for 14 consecutive years. But the yield it's offering is not high enough to become a sizeable passive income source unless you are planning to invest hundreds of thousands in the company. Its business model and impressive presence in the U.S. and Canada make it a very safe investment.

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Foolish takeaway

The three safe growth stocks can be a retiree's best friend. Two of them offer decent yields, which will add to your dividend-based retirement income. But the primary reasons to invest in them are the capital appreciation potential they offer and consistency of the growth they promise — along with the capacity to deliver!

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BYD (Boyd Group Income Fund)
2. TSX:NA (National Bank of Canada)
3. TSX:X (TMX Group)

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