Retirees: 3 Dividend Stocks for Passive Income

Description

Are you retired and looking for passive income?

If so, dividend stocks are among the best investments you can make.

Dividend stocks pay regular cash income to your brokerage account, typically every quarter or every month. The annual payout can be anywhere from 0.5% to over 10% of your initial investment. The percentage paid out is called the "yield."

If you invest $100,000 at a 5% yield, you get $5,000 in cash income per year. And the amount you get can grow over time. If a stock yielding 5% ups its payout by 10%, the yield rises to 5.5%–assuming the price stays the same. So dividend stocks have the power to dramatically grow your wealth over time.

With that in mind, here are three quality stocks to consider for a passive income retirement portfolio.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian energy stock with a 6.6% yield. That means you get $6,600 in annual cashback on a $100,000 position. And Enbridge has been raising its payout over time. Over the last five years, its compound annual dividend growth rate has been 9.3%. So investors who bought five years are getting far higher payouts today.

Will Enbridge be able to keep up the momentum?

Quite possibly it will. As an oil and gas pipeline, its services are always in demand. Many other companies' pipeline projects (such as Keystone XL) have been shut down, so there's strong demand for ENB's services. Enbridge is facing some regulatory issues of its own but looks likely to get its infrastructure projects done.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is another Canadian energy stock that only yields 3.2%. While that might not sound like the highest yield on earth, it has the potential to grow. You see, SU slashed its dividend in half last year. If the dividend were still at early 2020 levels, SU would yield 6.4%. This year, the price of oil is rising well beyond the prices we saw in 2020. So, Suncor might re-instate its previous dividend soon. If it does, then shareholders who bought today will have a higher yield tomorrow.

TD Bank

The **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) is a Canadian bank stock that yields about 3.8% at today's prices. Indeed, 3.8% is in itself a half-decent dividend, all things considered. But the real potential here lies in dividend growth. According to Guru Focus, TD Bank has grown its dividend by 9.25% annualized over the last five years. That's a pretty high rate of growth. If you started with a 3.8% yield and the payout grew by 9.25% a year, then your yield-on-cost would double in about a decade. Not bad at all.

So, will TD Bank be able to keep up its track record of dividend growth? I would argue that yes, it will. In its most recent quarter, TD grew its earnings by 59% year over year. Especially strong was the growth in U.S. retail, which jumped 92%. If TD can keep up these results, then it will be able to keep paying–even raising–its dividend, which could result in a much higher yield-on-cost in the future.

CATEGORY

1. Dividend Stocks

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:ENB (Enbridge Inc.)
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6. TSX:TD (The Toronto-Dominion Bank)

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Date
2025/09/08
Date Created
2021/10/03
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