2 Dividend Stocks That Belong in Every Retirement Portfolio

Description

Dividend stocks are great to hold in retirement portfolios for two reasons. First, they tend to be much less volatile than growth stocks. This means that investors earlier on in their investment journeys can build up portfolios without having to worry too much about losing money during market crashes. For investors who are further along in their investment journeys, it can lend a sense of stability knowing their portfolio won't tend to see many extreme fluctuations over time.

The second reason dividend stocks are great to hold in retirement portfolios is because they could provide a source of income. For younger investors, you have the opportunity to supplement your primary source of income. For older investors, dividend stocks could completely replace previous sources of income. It's important to note that you will need to build a large portfolio in order to live solely off dividends. A $1,000,000 portfolio yielding 4% would generate $40,000 in dividends.

In this article, I discuss two dividend stocks that belong in every retirement portfolio.

Look for companies with a long history of increasing dividend distributions

As mentioned earlier, a $1,000,000 portfolio with an average dividend yield of 4% will generate $40,000 in dividends per year. However, that $40,000 will gradually end up losing buying power over the years due to inflation. As a result, investors should aim to hold companies with a long history of increasing dividend distributions. Doing so would help investors maintain a certain amount of buying power, as the dividends they receive increase over time. **Fortis** (TSX:FTS)(NYSE:FTS) is one of the best companies in this respect.

The company holds the second-longest active dividend growth streak in Canada, at 47 years. That's a tremendous accomplishment, as very few companies will ever manage to build dividend streaks that long. To put that in perspective, Fortis has managed to increase its dividend through the many market downturns that have occurred over the past five decades. Investors attribute Fortis's ability to increase its dividends to its recession-proof business of supplying regulated gas and electric utilities to about 3.4

million customers.

The Canadian banking industry contains excellent dividend companies

When looking at dividend companies, Canadians often turn to the banking industry. Canadian banks are very popular among investors because of the highly regulated nature of the industry. This makes it very difficult for new and smaller companies to compete and displace the industry leaders. In Canada, the Big Five banks are very commonly found in retirement portfolios. Of that group, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) remains my top choice.

The company offers investors a forward dividend yield of 4.58% while maintaining a 50.35% payout ratio. Bank of Nova Scotia's relatively low payout ratio suggests that the company could continue increasing its dividend over the coming years.

Currently, the company's dividend growth streak stands at 10 years. If you're looking for a reliable dividend company to add to your portfolio, look no further than Bank of Nova Scotia.

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Date
2025/09/10
Date Created
2021/10/04
Author
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