



Retirees: 2 Stocks to Build a 2nd Pension With

Description

Canadian seniors have ways to reinforce their Canada Pension Plan (CPP) and Old Age Security (OAS) to ensure a comfortable retirement. The federal government introduced the Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA) to help Canadians fill the [inadequacies of the CPP and OAS](#).

The RRSP and TFSA are ideal vehicles to save for the future or build retirement wealth. Dividend stocks are eligible investments in both accounts, and [dividend investing](#) is the way to create additional income in retirement.

On the TSX, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) are two of the top dividend payers if you want to build [pension-like income](#). Capital position and financial strength are the key attributes of these two income stocks.

Resilient as ever

RBC, Canada's largest financial institution, took part in the dividend parade in the most recent earnings season. The \$185.46 billion bank announced an 11% dividend hike and a 3.2% (\$5.68 billion worth) buyback of its shares. It's the largest repurchase in absolute size among the Big Six banks. As of January 4, 2022, the share price was \$136.84, while the dividend offer was 3.58%.

In fiscal year 2021 (year ended October 31, 2021), the top and bottom lines increased 5.32% and 40.33% versus fiscal 2020. Its Capital Markets business segment (+50.83%) reported the most significant year-over-year increase in net income. Apart from the robust capital position (13.7% CET1 ratio), RBC paid a total of \$6.2 billion in dividends for the year.

The premier bank stock gained 31.2% in the last 12 months, and Wall Street analysts recommend a buy rating for RBC this year. They forecast a return potential of 11.89% in one year. Prospective investors shouldn't worry about dividend interruptions whatsoever.

RBC's dividend track record stands at 151 years and counting, and it has, for years, remained resilient

amid cyclical markets and economic downturns. The bank's economic research department said last month that the COVID-19 pandemic caused one of the worst recessions in history. However, it also said the recovery represents an opportunity for a "great Canadian restart."

Top monthly income stock

The TSX's energy sector was the runaway winner in 2021. Rising commodity prices and improving market environment propelled nearly all energy stocks. Pembina Pipeline outperformed the broader last year — +35.9% versus +21.74%. Also, most dividend investors prefer this name over others because the dividend payouts are monthly, not quarterly.

The share price is \$38.65, while the dividend yield is 6.57% if you invest today. Assuming you own \$50,000 worth of shares, the monthly income stream is \$273.75. If you reinvest the dividends, your capital will double in 10.9 years. Furthermore, the \$20.68 billion energy transportation and midstream service provider should sustain the payouts, given its large growth projects in the pipeline.

Pembina is back to earning significant profits following the slump in 2020. In Q3 2021, net earnings soared 82% to \$588 million versus Q3 2020. Its cash flow from operating activities increased 110.37% to \$913 million compared to the same period in 2020.

Second pension

Retirees can cope with inflation and have ample financial cushion by building a second pension. If finances allow, consider investing in reliable income-producing assets like RBC and Pembina Pipeline.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:RY (Royal Bank of Canada)

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