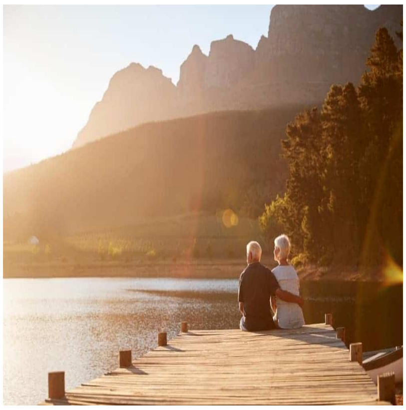

3 Top Stocks for Canadian Retirees

Description

Even though every investor has certain investment tendencies that remain consistent throughout their lives, the investment approach changes over time. And it's not just because they become better investors over time, but because the investment goals change with age. Near-retirees may have very different goals than retirees. So, even if the two choose the same stocks, they may have a different perspective for choosing those stocks.

A dividend stock

As a retiree, you might be interested in a stable dividend stock that offers a decent mix of capital preservation and income production. **Inovalis REIT** (TSX:INO.UN) could be a good option in this regard. It's one of the REITs that didn't slash its dividends during the pandemic, *and* its payout ratio remained below the danger level.

Another point in the REIT's favour is its European portfolio, which shields it from local headwinds. As a dividend stock, it's quite generous with its yield, which is currently 8.66%. If a retiree can divest a significant amount, like $200,000, in a generous REIT like this, you can generate a monthly income of about $1,443, higher than the monthly CPP pension.

A growth stock

Even in retirement, you may want to keep a portion of your retirement funds growing in a decent growth stock. One stock for that job would be **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), which has grown by over 160% in the last five years alone. So, if you can use this growth stock to double your capital in fewer than five years, you can take out portions of the stake without fully depleting it.

The railway was already one of the two largest in the country, and the stock is the more rapidly growing of the two. It's also going through a merger that will make it significantly huger and extend its operational range to Mexico. The stock is currently quite fairly valued, and even though it also pays dividends, the yield is too low to be a deciding factor.

A capital-preservation stock

If you are looking to park part of your capital in rock-solid security that will ensure that your capital doesn't just remain preserved but also outpaces inflation, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a worthy contender. The largest security on the TSX (by market cap) and one of the largest banks in North America is potentially as stable as a security can get in TSX.

Stability is not the only thing it offers. Like most Canadian banks, it's a generous dividend stock that's currently offering a decent 3.34% yield. Its capital-appreciation potential, especially in the long term, is enough not just to outpace inflation but keep your capital growing at a decent enough pace to actually grow the size of your nest egg.

Foolish takeaway

When investing in retirement stocks, it's a good idea to divide your stake between your TFSA and your RRSP. The powerful growth stocks might do better in your TFSA (where relatively less capital would be parked), and capital-preservation stocks might be better off in your RRSP.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CP (Canadian Pacific Railway)
4. TSX:INO.UN (Inovalis Real Estate Investment Trust)
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