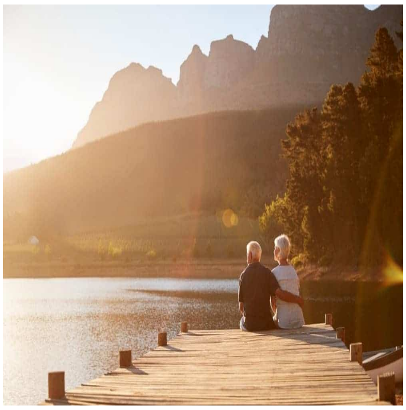

2 Dividend Stocks to Retire on

Description

One purpose of dividend stocks in today's investment portfolios is producing a nice income that beats inflation. When you're investing in quality dividend stocks with the idea of holding them through retirement, you don't have to concern yourself as much with the volatility. In fact, you can pretty much ignore the volatility and simply buy shares when they trade at good valuations. Here are two dividend stocks that passive-income investors hold before and through retirement.

National Bank of Canada stock

The big Canadian banks, including the sixth largest, **National Bank of Canada** (TSX:NA), have been very steady dividend payers for a long time. Having stable earnings and a sustainable payout ratio are key to National Bank's safe dividend.

In the last 20 years, the Canadian bank has posted strong earnings throughout — it only experienced three years of negative earnings growth of 5-7%. In the period, the bank stock increased its dividend per share at a compound annual growth rate of approximately 10%. Its 10-year dividend-growth rate of about 7.8% is not bad versus the long-term inflation rate of about 2%.

Last month, David Baskin commented that National Bank was still his number one Canadian bank pick.

> "National Bank has little competition in Quebec compared to the rest of Canada. It is very successful in managing wealth and proprietary trading. It will benefit from rising interest rates. It's a solid pick."
> *David Baskin, president of Baskin Wealth Management*

The bank stock dipped about 10% from its high and now trades at a reasonable valuation of approximately 9.7 times this year's estimated earnings. Its yield of about 3.7% is safe on a sustainable payout ratio of about 38% this year. Investors who have a long investment horizon possibly through retirement can take a closer look at the stock. The market volatility can provide an even better buying opportunity in the near to medium term.

Brookfield Infrastructure stock

Like National Bank of Canada, **Brookfield Infrastructure** (TSX:BIP.UN)(NYSE:BIP) also has strong business performance through market cycles. It is in the growing infrastructure sector. It enjoys growth organically. As well, it has seemingly endless capital and acquisition opportunities to expand its global infrastructure operations. It has grown its revenues and assets by 2.5 times and two times, respectively, from 2018 to 2021.

Even during the pandemic, its businesses, which transport or store energy, water, freight, and data, were largely deemed essential products and services. This allowed the company to report stable financial results in 2020 with increased cash flow. In fact, that year, it went on increasing its cash distribution like usual. The solid dividend stock's five-year dividend-growth rate is about 7.9%.

Going forward, management seems committed to increasing BIP's cash distribution by 5-9% per year. Its 2021 funds from operations payout ratio was 73% versus 74% in 2019, a normal year. From 2019 to 2021, its return on invested capital have been solidly between 12% and 13%.

The stock appears close to fully valued here. However, if you own it, especially at much lower levels, it may make sense to hold as an anchor for a long-term investment portfolio through retirement. At writing, it yields approximately 3.2%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:NA (National Bank of Canada)

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