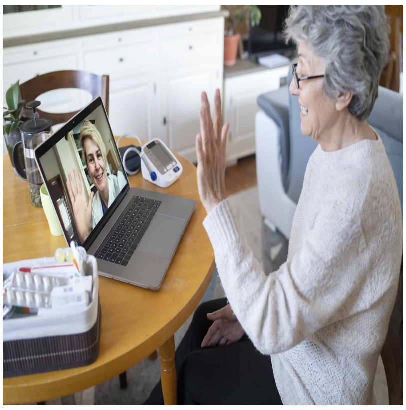

Retirees: 2 Dividend Stocks (With +6% Yields) for Worry-Free Passive Income

Description

The simplest way to start a passive-income stream is by investing in dividend-paying stocks. However, for retirees, investing in stocks requires extra caution. Taking a conservative approach and the low-risk appetite of retirees, here are my top two dividend stocks that offer high yields, have reliable payouts, and have solid dividend payment histories.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of the safest stocks to invest in for regular income. This is because it has a long track record of uninterrupted dividend payments, solid dividend growth history, and the ability to consistently grow its earnings amid all market conditions.

For instance, Enbridge has been paying a dividend for more than 67 years. What stands out is that Enbridge has raised it in the last 27 years at a CAGR (compound annual growth rate) of 10%. Further, the company expects its DCF (distributable cash flows)/share to grow at a mid-single-digit rate in the medium term, implying that its dividends could follow a similar growth rate.

The company owns 40 diversified cash flow streams that add stability to its business. Meanwhile, it has contractual arrangements to reduce volume and price risk. Its solid asset mix (conventional and renewable) and high utilization augur well for growth. Investors should know that about 80% of Enbridge's EBITDA (earnings before interest, taxes, depreciation, and amortization) has protection against inflation, which is positive and should drive its DCF/share.

Besides its solid base business, new assets placed into service and its multi-billion-dollar secured projects will likely support its growth. Retirees can earn a high yield of 6.6% by investing in Enbridge at the current level. Further, its payout ratio of 60-70% of DCF is sustainable in the long term.

Keyera

Keyera (TSX:KEY) is another exciting play in the energy infrastructure space. Like Enbridge, Keyera has a solid track record of enhancing its shareholders' value through regular dividend payments and growth. Retirees should note that Keyera's DCF/share has a CAGR of 8% in the past 14 years. Thanks to this, Keyera increased its dividend at an average annualized rate of 7% during the same period.

Its DCF/share is driven by its low-risk fee-for-service energy infrastructure assets that enjoy high utilization. Moreover, these assets generate solid cash flows to fund its growth initiatives and cover dividend payouts.

Keyera is confident that its adjusted EBITDA will increase at a CAGR of 6-7% through 2025. This will drive its DCF/share and dividend payments. Also, it is focusing on lowering its debt and strengthening its balance sheet, which should act as a growth catalyst.

Keyera stock yields about 6.7%, while its target payout ratio of 50-70% of DCF is sustainable.

Bottom line

Both these companies have been paying and growing their dividends uninterruptedly for years, even amid the pandemic. This reflects the strength of their business model and ability to generate steady cash amid all market conditions. Besides their well-protected dividends, these stocks offer high yields, thus improving the investors' overall returns.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENBA (Enbridge)
2. TSX:ENB (Enbridge Inc.)
3. TSX:KEY (Keyera Corp.)

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