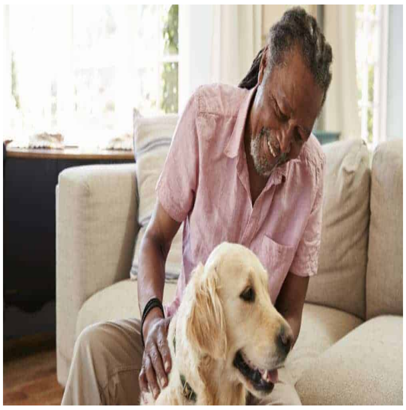

3 Perfect Stocks for Retirees That Could Turn $300,000 Into $1 Million by 2030

Description

Retirees or near retirees should have saved a nice nest egg. You can make your nest egg last longer by making careful retirement planning. For example, here are three perfect stocks that could potentially turn $300,000 into $1 million by 2030. It boils down to aiming to get compound interest or compound returns of 16.24% over eight years. This percentage actually provides a small buffer, because the time through the end of this year is not included in the calculation.

Most retirees' active income shrinks. In fact, it shrinks to zero if they decide not to work at all. This is why the stocks chosen are all dividend stocks that pay decent dividend yields. Because we aim to grow $300,000 to $1 million or higher, they must also be growth oriented.

Past returns may be indicative of future returns. Here are three TSX stocks that have prospects of delivering returns of beyond 16.24% over the next eight years. For reference, in the last 10 years, they averaged total returns of 22.77% (assuming an equal-weight portfolio), growing $300,000 into $2,333,693 in the period.

RBC stock

Royal Bank of Canada (TSX:RY) stock has "only" delivered 12.46% per year in the past 10 years. Wait a minute! Although RBC's returns beat the Canadian stock market returns of 8.28% in the period (using **iShares S&P/TSX 60 Index ETF** as a proxy), they were 3.78% lower than what's needed.

This stock pick acts more like an anchor for retirement portfolios so that retirees can sleep well at night knowing that their money is parked in a safe place for good returns. The other two stocks will pick up the slack.

RBC stock tends to trade at a premium to its big Canadian bank stock peers, which suggests that it is a higher-quality holding. For reference, its long-term normal valuation is about 12.15 times earnings. At $124.82 per share at writing, the bank stock trades at about 11.2 times earnings. This implies the stock is fairly valued.

Indeed, RBC stock has been impressively resilient in this market downturn. And it offers a solid dividend yield of 4.1%. Its dividend will increase over time and beat the long-term inflation rate.

Brookfield Infrastructure stock

Brookfield Infrastructure Partners (TSX:BIP.UN) is a superb utility that keeps delivering. Its 10-year annualized total returns are 19.40%. It also offers a decent yield of about 4%. While growing its cash distribution, it has the capability to expand its high-quality, long-life infrastructure portfolio. For reference, its 10-year cash distribution-growth rate is 10%.

BIP's capital-recycling program is ongoing, which allows it to bank on mature assets to redeploy into better risk-adjusted investments. Year to date, it increased its funds from operations per unit by 11% — a growth rate that beats the utility sector. Management invests capital that targets returns of 12-15%. This growth combined with its cash distribution can provide returns of north of 16% per year, especially if you buy the stock on weakness.

goeasy stock

goeasy (TSX:GSY) stock's decade's long annualized returns were 36.46%. The stock of the leading non-prime Canadian consumer lender does poorly during highly uncertain economic times. Experts, including **RBC**, expect a recession to come soon to Canada, which doesn't bode well for the stock.

The growth stock has corrected approximately 45% in the last 12 months. This provides a fabulous entry point for retirees that can stomach the risk and volatility. The lender is much larger and diversified than it was 10 years ago. It's in a much better financial position to withstand any economic adversity.

At below $112 per share at writing, the dividend stock offers a nice yield of almost 3.3%. For reference, its 10-year dividend-growth rate is 23%.

The Foolish investor takeaway

Although the dividend stocks discussed appear to be perfect for retirees, investors should keep in mind that three stocks aren't enough for portfolio diversification that should compose of investments that are ideally uncorrelated. That said, this example also shows that real winners can really pull up the portfolio returns.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

4. TSX:GSY (goeasy Ltd.)
5. TSX:RY (Royal Bank of Canada)

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