Nearing Retirement? The 3 Best Energy Dividend Stocks to Buy Now

Description

Canadians close to retirement will be looking to create several passive income streams to support a comfortable life once cash flows from employment come to an end. One way to create a stream of predictable income is by investing in quality dividend stocks trading on the TSX.

Further, if these stocks are held in a TFSA (Tax-Free Savings Account), the dividend payouts, as well as capital gains, are exempt from Canada Revenue Agency taxes.

Let's take a look at the three best energy dividend stocks Canadian retirees can buy right now. The average dividend yield of these energy stocks is a tasty 5.3%. So, an investment of $20,000 in each of these TSX stocks can help you generate $3,192 in annual dividends.

Moreover, if the payouts increase by 6.5% each year, your annual dividends will touch $6,000 each year in the next 10 years. These Canadian energy stocks are:

Enbridge

One of the largest companies trading on the TSX, **Enbridge** (TSX:ENB) is a diversified energy infrastructure giant. Its low-risk business model has allowed the energy behemoth to increase dividends each year for the last 27 years. This consistent dividend track record is remarkable for a cyclical company.

Enbridge operates pipelines and utilities, allowing it to generate cash flows across business cycles. Around 98% of Enbridge's cash flows are backed by long-term contracts, and 80% of the contracts are indexed to inflation. Further, 95% of Enbridge customers have investment-grade credit ratings.

Enbridge aims to pay around 60% of its distributable cash flows to shareholders via dividends. It still has enough room to fund expansion plans and lower its debt profile, which should drive dividend growth higher in the future.

Enbridge expects its cash flows to increase between 5% and 7% through 2024 and support future dividend growth. The company has increased dividends at an annual rate of 9.4% in the last 10 years. ENB offers investors a forward yield of 6.2%, making it attractive to the income-seeking shareholder.

TC Energy

The second energy stock on my list is **TC Energy** (TSX:TRP). In the last two decades, TRP stock has returned 560% to investors after adjusting for dividends, outpacing the TSX. The Canadian big board has surged 456% in this period.

During its Q3 earnings call, TC Energy disclosed plans to sell non-core assets and generate $5 billion by the end of 2023. The proceeds of these divestitures will be used to fund capital expenditures and reduce balance-sheet debt.

TC Energy has already allocated $34 billion towards CAPEX and will spend $5 billion each year through 2030 to accelerate its expansion plans. The energy heavyweight currently offers investors a dividend yield of 5.6%, and its payouts have increased by 7.4% in the last decade.

Canadian Natural Resources

The final dividend-paying energy stock on my list is **Canadian Natural Resources** (TSX:CNQ), offering investors a payout of 4.14%. It is one of the largest natural gas and crude oil producers in Canada.

Its diversified portfolio of assets across North America, the U.K. North Sea, and offshore Africa enables the company to generate significant value even amid challenging economic environments.

CNQ has a balanced mix of natural gas, crude oil, bitumen, and SCO (synthetic crude oil), making it one of the most diversified energy producers globally.

In the last 20 years, CNQ has returned a staggering 2,550% to investors after adjusting for dividends. Its dividends in the last two decades have increased at a rate of 21.6% annually.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:ENB (Enbridge Inc.)
3. TSX:TRP (TC Energy Corporation)

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