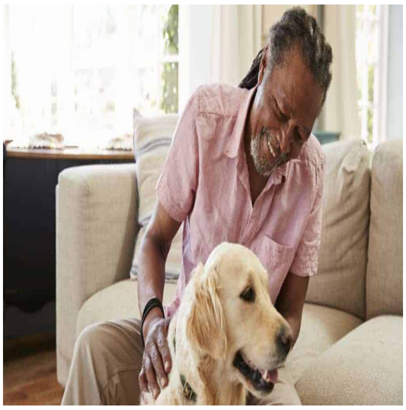

3 Dividend Stocks So Stable That Retirees Can Feel Safe Buying

Description

It has been an incredibly rocky year for dividend stocks. Even utility stocks that were once thought very stable have been hit by significant stock market volatility. For those in or nearing retirement, this dynamic can certainly be unsettling.

Choose quality dividend stocks for stable income

While nothing is ever certain, you can make educated bets based on a stock's past performance and its forward outlook. Strong balance sheets, consistent earnings/cash flow growth, and a history of dividend growth are crucial elements for a dependable dividend stock. Here are three top stocks retirees can feel safe buying and holding for the long run.

TELUS

With a market cap of $41.1 billion, **TELUS** (TSX:T) is the second-largest telecommunications stock in Canada. Internet and cellular services are nearly as essential as heat and electricity, so TELUS captures consistently predictable demand.

For the past five years, it has grown revenues, EBITDA (earnings before interest, taxes, depreciation, and amortization), and free cash flows by a compounded annual rate of 6.7%, 6.4%, and 9.9%, respectively. In that time, it has grown its annual dividend by around 6.5% annually. Just recently, TELUS increased its quarterly dividend by 7.2% (its second increase this year).

The company is nearing the end of an elevated capital-expenditure cycle. It is set to reap a significant amount of excess cash once that spending declines. That means more elevated dividend increases ahead. This stock yields a 4.85% dividend today.

Fortis

Fortis (TSX:FTS) has increased its dividend for 49 consecutive years. It is an impressive track record for a generally boring business of regulated transmission and distribution utilities.

However, it is the relatively boring and stable nature of this business that can help give investors long-term assurance. For the past five years, it has grown revenues, EBITDA, and earnings per share by a average compounded rate of about 4%. Its dividend has steadily grown at a 6% annual rate.

Given the need to build out the electrical grid in a green/renewable manner, Fortis has a huge backlog of long-term growth opportunities. This should fuel around 6% rate base growth and 4-6% annual dividend growth ahead. Today, this dividend stock yields 4.25%.

Granite REIT

Like utilities, industrial real estate has become a crucial component to the global economy. Factors like near-shoring, e-commerce, and elevated inventory are supporting strong demand for warehousing and logistics space. That has been a significant tailwind for **Granite Real Estate Investment Trust** (TSX:GRT.UN). With a market cap of $4.99 billion, it is Canada's largest listed industrial real estate investment trust (REIT).

Granite has a high-quality portfolio with strong tenants, high occupancy (about 99%), and long-term leases. For the past five years, revenues and funds from operation (FFO) per unit (a key metric for profitability) have risen by a compounded annual rate of 12% and 4%, respectively.

It has grown its dividend annually by a 4% rate. It has a great balance sheet and a top management team. This stock earns a 4% dividend yield today.

The takeaway on quality dividend stocks

If you want safe passive income for retirement, always look for the best companies in their sector. These businesses will have strong balance sheets, smart managers, and steady, predictable cash flows. Business quality should be the priority — not just the dividend yield. If you hold these businesses for the long term, you should be set up well for an enjoyable retirement.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:GRT.UN (Granite Real Estate Investment Trust)
3. TSX:T (TELUS)

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