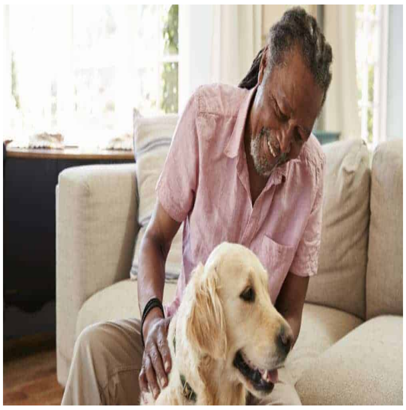

Retirees: 3 Top TSX Stocks to Buy for 2023

Description

Are you a retiree looking for good investments?

If so, there is one category of asset you might want to research: dividend stocks.

Dividend stocks are stocks that pay you a little bit of a company's profit. Receiving dividends is much like receiving interest, with the major difference being that dividends have the potential to grow over time. If a company you invest in grows and thrives, you might collect a higher dividend next year than this year. With that in mind, here are three retirement stocks that pay good dividends.

Enbridge

Enbridge (TSX:ENB) is a Canadian pipeline stock with a 6.7% dividend yield. "Dividend yield" is the dividend divided by stock price. It tells you how much you make off an investment in dividends each year, in percentage terms. With a 6.7% yield, you get $6,700 in annual cash back on every $100,000 invested.

What makes Enbridge such a promising stock?

Apart from the high yield, it's an economically indispensable company. It transports crude oil all around North America via pipeline, and it has one of the largest pipeline networks in the world. It also supplies 75% of Ontario's home heating fuel. No other company can replace Enbridge in these vital activities. When it comes to transporting crude oil, the next-best alternative to ENB's pipelines (crude by rail) is far behind what ENB offers, with much higher costs. So, Enbridge's business is likely to be in demand going forward.

Another thing Enbridge has going for it is long contract lengths. Enbridge's customers sign long (usually +10 year) contracts in which they agree to "rent" the company's pipeline space. This ensures that Enbridge's revenue keeps coming in whether oil prices are up, down, or anywhere in between.

Royal Bank

Royal Bank of Canada (TSX:RY) is a Canadian banking stock with a 4.13% dividend yield. RY's yield is not as high as that of Enbridge, but its dividend is a little safer. Enbridge usually pays about 70-100% of its earnings in the form of dividends (depending on which earnings metric you use), Royal Bank only pays out 43%. Generally, it's better when a company's payout ratio (dividend divided by earnings) is lower, because it shows that the company still has money left to invest in its business after paying dividends.

Apart from its low payout ratio, Royal Bank also has an unparalleled dividend track record. The company has been paying dividends for over 100 years and has never missed a single one. As a deeply entrenched financial services company, it doesn't face too much competition, and it is subject to sensible regulations that keep it from taking too many risks.

Fortis

Fortis (TSX:FTS) is a Canadian utility stock that has a 48-year track record of raising its dividend. Earlier, I'd mentioned that Royal Bank has a 100-year track record of paying its dividend, but FTS has actually *raised* its payout for 48 years straight. That's arguably even more impressive. Fortis's track record isn't as long as RY's is, but it has seen more growth.

Fortis is a regulated utility, meaning that it enjoys "natural monopoly" status in many of its markets. This gives it a competitive advantage over would-be competitors who can't enter the market. The downside of this is that the company often has to gain government approval before it can raise the rates it charges to customers, but it usually works out with decent earnings for FTS in the end.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:RY (Royal Bank of Canada)

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