These 2 Canadian Dividend Stocks Are a Retiree's Best Friend

Description

Dividends could add to your income post-retirement. However, investors should note that dividends are not guaranteed. Moreover, volatility associated with stocks could negatively impact your capital.

Nevertheless, this shouldn't keep you from investing in dividend-paying stocks. Thankfully, the TSX has several top stocks that have been consistently paying and growing their dividends for decades. This implies that retirees can consider these stocks to enhance their inflow of cash post-retirement.

Here, I'll focus on two Canadian dividend stocks that have uninterruptedly paid and increased their dividends for at least 25 years. Moreover, these large-cap companies have a growing earnings base and well-covered payouts. What stands out is that these companies increased dividends amid all market conditions, including the recession of 2008 and the COVID-19 pandemic. Let's begin.

Enbridge

Enbridge (TSX:ENB) operates in the energy sector, offering the infrastructure needed for the transportation and storage of hydrocarbons. The company is also engaged in renewable power generation. As Enbridge is a vital part of the energy value chain, its assets continue to witness strong demand and high utilization. Also, diverse cash flows and contractual arrangements reduce price and volume risk, supporting its cash flows and dividend payouts.

Thanks to the resiliency of its business and inflation-protected EBITDA (earnings before interest, taxes, depreciation, and amortization), Enbridge consistently generates solid distributable cash flow per share (DCF/share), which comfortably covers its payouts.

It has been paying dividend for about 68 years. Meanwhile, it raised its dividend at a CAGR (compound annual growth rate) of 10% for 28 consecutive years.

The company's solid mix of conventional and renewable assets and continued investment in infrastructure positions it well to benefit from the energy demand. Also, its multi-billion-dollar secured capital projects are likely to drive its asset base, adjusted EBITDA, and DCF/share.

While Enbridge's payouts are well covered, its target payout ratio of 60-70% of DCF is sustainable in the long term. It pays an annual dividend of $3.55, translating into a high yield of 6.38%.

Fortis

Next is the regulated electric utility company **Fortis** (TSX:FTS). Thanks to its rate-regulated business, Fortis remains relatively immune to the economic cycles and generates predictable cash flows. Due to its predictable cash flows, Fortis has consistently enhanced its shareholders' returns through higher dividend payments.

Fortis increased its dividend for 49 consecutive years. Also, Fortis stock is relatively less volatile, making it a perfect investment for retirees to generate additional income.

Fortis's $22.3 billion capital plan will likely drive its rate base and future payouts. For instance, Fortis projects its rate base to grow at a CAGR of over 6% through 2027. During the same period, Fortis's dividend is forecasted to increase by 4-6% annually.

Overall, Fortis's strong dividend payment and growth history, its low-risk business model, predictable cash flows, and dividend-growth guidance make it an attractive investment. Fortis pays a dividend of $2.26 per share annually, reflecting a dividend yield of 4.05%.

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