The 1 Dividend Stock Every Retiree Should Buy for Passive Income

Description

Finding a top-notch dividend stock to hold onto for the long term is a great way to build a passive income stream for retirement. Those thinking truly long-term may want to focus on companies that not only pay an attractive dividend but also grow their dividends over time.

There are plenty of dividend aristocrats out there. However, some companies may not have bright growth prospects, others might be paying out too much of their cash flows, and others may be at risk of a cut. There are plenty of downsides to investing in dividend stocks, aside from the opportunity cost of the outsized upside many growth stocks can provide.

That said, I think companies like **Fortis** (TSX:FTS) are worth considering for those seeking a top dividend stock right now.

Here's more on why I think this is a stock worth owning right now.

Dividend growth matters as much or more than current yield

Many investors often get stuck on the idea that a company's given dividend yield at a particular point in time is all that matters.

Sure, owning shares of a company that pays out 5% today is immediately better than owning a similarly sized position in a company that pays out 3.5%. However, if company B raises its dividend by 10% per year, while company A holds its distribution flat, in a few years' time, a long-term investor in company B will be receiving larger checks on a quarterly basis.

Fortis is among the best dividend growth stocks in Canada, which is one of the key reasons why I continue to pound the table on this stock. The company's current yield of 4.1% is meaningful; however, Fortis' continued high-single-digit dividend hikes on an annual basis are what I'm after. For the past five decades, Fortis has not missed an opportunity to raise its dividend.

Thus, those thinking truly long-term have to like what this company has to offer.

Bottom line

From a fundamentals standpoint, there's a lot to like about Fortis as a top dividend stock to own. The company has produced excellent results in recent quarters, and continues to churn out free cash flow growth. Fortis' highly defensive business model, which involves powering its customers homes, is about as recession-resistant as an investor could want. Indeed, until all of Fortis' customers shut off their heat and turn their lights off, this is a company with cash flows that will remain as robust as they are now (with increases over time).

This company's yield and dividend growth rate are both fantastic. Accordingly, for those looking to generate long-term passive income, this is a stock worth considering for its dividend and stability.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. cleona

Category

1. Energy Stocks
2. Investing

Date
2025/08/17
Date Created
2023/01/26

Author
chrismacdonald