Dividend Investors: Retire Early With These 2 Stocks

Description

During these volatile times in the market, it creates an opportunity to buy great companies at a discount. I have been monitoring the markets and identified two companies I believe will easily weather the storm and come out on top.

These two picks fall into sectors that typically have strong liquidity and continue to generate strong cash flows, despite the current fallout of economic activity. My two dividend picks at the time of writing are **Algonquin Power** (TSX:AQN)(NYSE:AQN) and **Killam Apartment REIT** (TSX:KMP.UN).

Who said utilities are boring?

Okay, yes, utilities are quite boring when looking at the business model. Algonquin builds an electricity power plant, receives a contract to sell the energy produced at a profit, and ensures the contract is for many years. The business model is simple, and yet Algonquin has been able to stand above the rest.

Maximizing shareholder value while maintaining a strong dividend in the process, Algonquin Power has outpaced the TSX by approximately 100% from 2016. This is also excluding dividends that Algonquin pays, which is currently pegged at a yield of approximately 4% per year. Algonquin has also outpaced industry peers such as **Northland Power** and **Brookfield Energy Partners**.

Why buy and hold till retirement?

The answer of why you should buy and hold till retirement is because of Algonquin's projected earnings-per-share growth and, ultimately, Algonquin's dividend growth. Algonquin has grown the dividend historically 10% per year and projects this growth will continue into the far future.

To support earnings growth, the company projects $9.2 billion of growth opportunities through now to 2024. There is no shortage of growth opportunities, and with the global push of renewable energy, I believe the company will achieve the targets it has set out.

People will always need a place to live

Killam Apartment REIT takes advantage of that by having 90% of assets in the apartment space. Killam owns assets across most Canadian provinces and is considered geographically diversified. One might look at Killam and worry that only owning one asset class is a risk, but I beg to differ.

Strong financials

After analyzing Killam's historic financial results, it has continuously generated strong shareholder value through growing net operating income. From 2014 to 2018, Killam's net operating income has increased by 12.5% per year. The company also reduced the payout ratio consistently from 124% in 2014 to 84% in 2018. Killam is generating more income than it is paying out through dividends, indicating that the dividend is safe.

Killam also has been improving and maintaining strong metrics, such as the occupancy rate and the average rental growth rate. Killam's occupancy rate has increased from 95% in 2015 to 97.2% in 2019.

Killam's same-property average rental growth rate has increased from 1.3% per year in 2015 to 3.4% per year in 2019. These metrics indicate strong future growth of the companies assets and prove the company has been successful in developing high-quality assets that continue to generate high demand.

Foolish takeaway

Both Algonquin Power and Killam have a strong future ahead of them, and the current economic volatility creates the opportunity to buy at a discount. The dividends of Algonquin and Killam are safe and will continue to grow for many years to come. Consider buying before the markets recover and retire early!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:KMP.UN (Killam Apartment REIT)

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