# The Biggest Hidden Risk That Can Cause a Retiree to Outlive Their Money

### Description

The usual metric used to quantify the performance of a portfolio is the average rate of return a portfolio does. This metric makes sense for any investor in the accumulation phase of their lifecycle, as the higher rate of return throughout will lead to a much larger portfolio in retirement.



However, the variable that retirees withdrawing income should be most concerned about is the sequence of return and not what the average rate of return is going to be. Having large negative returns early in retirement compared to later in life will reduce the amount of time a retiree's money will last, even with a good average rate of return over a long-time horizon. Any investors looking to retire in the next five years should be the most concerned about sequence of return risk eroding their portfolio value quicker than anticipated.

## Lower your risk

A retiree should invest in stocks that have a high dividend yield to support income withdraws but have a low volatility to reduce the risk of large negative returns early in retirement. Portfolios that anchor their positions with **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) and **Telus** (TSX:T)(NYSE:TU) are likely to reduce sequence of return risk.

Pembina Pipeline operates in the oil and gas service industry, specializing in storage and transportation infrastructure. Its market capitalization stands at $24.85 billion of as today. It's also had exceptional revenue growth, more than tripling its net income since 2016, leading to an exceptional dividend yield of 4.94% currently.

In addition, its recent acquisition of Kinder Morgan Canada will provide improved integration with Pembina's current business, give strong diversification into new business lines, and will add long-term value for shareholders. Compared to the entire universe of equities, Pembina Pipeline is less volatile than 93% of all the stocks and portfolios out there.

Telus is one of the largest telecommunications companies in Canada with diversified business lines from internet access to healthcare to entertainment. Across Canada, it currently has 13.4 million subscribers, including 9.2 million wireless subscribers, 1.9 million high-speed internet subscribers, and 1.1 million TELUS TV subscribers. This stable subscriber income leads the company to be one of the most reliable dividend growers, raising its dividends by about 9.1% a year over the last five years.

Telus currently has dividend yield of 4.6%, and it continues to telegraph dividend hikes several years into the future. In addition, Telus also has a lower volatility than its peers and will hold up better in an economic downturn.

## Don’t outlive your money

Retirees that have diversified into Telus and Pembina Pipeline can count themselves lucky, since they will have to worry less about the risk of unfavourable sequence of returns. With both stocks having better protection in economic downturns and providing impressive dividend yields, retirees can supplement income with a lower risk of depleting their portfolio values no matter where the markets go.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TU (TELUS)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:T (TELUS)



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1. Investing

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simonwong