



Create Your Own Pension Plan With These 3 Dividend Stocks

Description

One of the nicest luxuries a retiree can have is a nice pension plan. If you're one of the many people who don't have one, it's up to you to create a synthetic plan with your own savings. What's the best way to approach this?

If you're investing in individual stocks, the best approach is to look for secure companies that pay a nice dividend. Below we take a look at three examples.

1. TransCanada

If you're creating your own pension plan, there's no better place to start than the pipeline companies. These companies operate critical infrastructure with little competition, and make revenue primarily from long-term contracts. What more could a pensioner want?

At this point, **TransCanada** ([TSX: TRP](#))([NYSE: TRP](#)) is likely the best option. Canada's second-largest pipeline operator has a dividend yield of 3.5%, not bad considering the payout has increased every year since 2000.

Better yet, the future looks very bright for TransCanada. The company has \$36 billion of commercially secured projects, so even if the Keystone XL pipeline is rejected, there will still be plenty of opportunities to grow earnings. That should translate into ever-increasing dividends, perfect for your pension plan.

2. Canadian Imperial Bank of Commerce

At first, this may seem like a mistake. After all, didn't **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) suffer more than any other big five bank during the crisis?

While it is true that it has made missteps in the past, including \$10 billion in writedowns during the crisis, the bank has dramatically scaled back since then, focusing almost entirely on providing basic financial services to Canadians. In fact, over 90% of its net income came from Canada last year. Looking ahead, earnings look more stable than ever.

Now people are more concerned with its lack of growth prospects, but this should be of secondary concern if you're building a pension plan. Rather, you should focus on the bank's 4.1% dividend yield. If it decided to pay out a greater proportion of its earnings to shareholders, that dividend could take off in a hurry.

3. Power Corporation

Power Corporation ([TSX: POW](#)) is an unfamiliar name to most Canadians, but make no mistake. This is an excellent option for any synthetic pension plan.

Power Corporation is one of Canada's most diversified businesses, with majority stakes in well-known brands like Investors Group, Mackenzie Investments, and **Great-West Lifeco**. It also has stakes in international businesses, including some outside of financial services. So by holding just one stock, you can get instant diversification.

Power Corp also has a fantastic track record — its stock is up nearly seven times since 1995 — and a 3.7% dividend yield. Even if you already own other financial services providers, like CIBC for example, this company would make a great addition to your pension plan.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TRP (Tc Energy)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:POW (Power Corporation of Canada)
5. TSX:TRP (TC Energy Corporation)

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