

Facing Retirement? Buy Telus Corporation Instead of Rental Property

Description

If you're nearing retirement, chances are you're looking for a way to generate some income from your savings. One option that must surely stand out is rental property.

But there are numerous reasons why you shouldn't buy rental property, and below we discuss the top three.

1. The hassle

First of all, finding a place to buy can be a daunting task. Then you'll have to close the purchase, which could involve trying to find financing. You'll have to do research on the neighbourhood, and find out how much rent you should be charging. Then you'll have to find tenants. And that's only the beginning.

Being a landlord can use up a lot of your time. It's your responsibility to maintain the place, as well as field emergency calls. If you have bad tenants, then the headaches get even worse. It almost seems to defeat the purpose of retirement.

2. The price

Depending on who you ask, Canada's housing market is in bubble territory. Some people think that we could see 20% declines. They have a compelling argument.

According to the Global Property Guide, Canada's Gross Rental Yield averages 3.68%. But that number only measures annual rent as a percentage of the purchase price. Once you're done paying for maintenance, taxes, condo fees (if applicable), and tenant vacancies, your yield will be far lower.

The Global Property Guide only measures "resale apartments and houses ... yields for newly-built properties are not included." So if you're thinking of buying a new condo, then the gross yield could be even lower. This is possibly the surest sign that properties are too expensive.

Compare this with a dividend stock like **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)), which also has a yield of 3.68%. But Telus's dividend doesn't come with all the same hassles and costs of rental property. Better yet, Telus's dividend has risen by 38% in three years, and has room to increase further. If you go with rental property instead, you won't get to raise rent by that much (in fact rental increases are capped).

3. The risk

Buying a rental property comes with yet another major problem: it ties up so much of your savings in just one investment. This is a very risky approach, because if that property's value declines, then that could take a big bite out of your savings.

But if you bought Telus stock instead, you could buy it in any quantity you want, which allows you to achieve diversification fairly easily. It's quite simply the more responsible approach.

Of course you'll need other dividend stocks to round out your portfolio. And the free report below contains three such ideas.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

Category

1. Dividend Stocks
2. Investing

Date

2025/09/13

Date Created

2014/11/12

Author

bensinclair

default watermark

default watermark