

Create Your Own Pension Plan With These 3 Dividend-Growth Stocks

Description

I don't think there's a retiree out there who wouldn't love to have their financial life taken care of with a defined benefit pension.

Unfortunately, in today's world of layoffs, increased competition, and budgets everywhere getting cut, generous pensions aren't very common. Unless you happened to become a senior executive, chances are you'll be responsible for funding your own golden years.

This is a difficult proposition, especially for someone who doesn't know a whole bunch about the stock market. Some of the best minds in finance have dedicated years to the very issue of not running out of money in retirement, and yet we still don't have a consensus on how to make sure retirees are taken care of.

Perhaps I'm looking at the problem a little naively, but I have a simple solution. Retirees can generate a rising income stream by investing in dividend-growth stocks that pay monthly, and live on the dividends while keeping the principal intact. Think of it as a DIY pension plan.

There are many different stocks out there you could choose. Here are three that give investors at least a 3% yield, and represent decent value.

Corus Communications

Corus Communications Inc. ([TSX:CJR.B](#)) is one of Canada's largest media companies. It owns 39 radio stations, as well as television stations like Treehouse, Teletoon, W Network, CMT, and YTV.

Shares of the company are down nearly 30% over the last year because investors are concerned about upcoming changes that will allow cable customers to pick and pay for individual channels rather than getting a whole bundle.

That's obviously bad news, but investors willing to look past this short-term issue can pick up shares at an attractive valuation. The company is projected to earn \$180 million in free cash flow for 2015, while the market cap is only \$1.5 billion. That puts shares at just over eight times free cash flow, which is more than 50% cheaper than competitors.

There's also the 6.4% monthly dividend, which might be the most sustainable 6+% dividend on the TSX. In 2014 dividends ate up just 36% of free cash flow. This leaves the company with plenty of room to give investors an annual raise, which it has done annually since 2005.

Inter Pipeline

One of the nice things about this whole crude meltdown is the opportunity for investors to buy great companies at a discount. **Inter Pipeline Ltd.** (TSX:IPL) is one of those companies. It's trading at close to a 52-week low at just over \$31 per share.

Unlike many of its competitors, Inter Pipeline concentrates mainly on development in the province of Alberta, removing the risk of getting many different provincial governments aboard. And the risk of a newly-elected NDP government really hurting the company is minimal as well, since Premier-elect Notley is pro-pipeline.

Inter Pipe pays investors a generous 4.7% yield, which was hiked nearly 15% in late 2014. As the company has more projects come online, look for it to continue raising the payout.

Boardwalk REIT

Another victim of oil's collapse is **Boardwalk REIT** ([TSX:BEI.UN](#)), the Alberta-centric owner of more than 34,000 apartments, approximately 60% of which are in Wild Rose Country.

Management has been preparing for something like this for years. The company chose to pay down debt and invest in fixing up its units over the last few years rather than pay what it viewed as stretched valuations to expand. Because of this prudence, it has perhaps the best balance sheet in the whole REIT sector.

The company also has one of the lowest payout ratios among its peers. The 2014 distributions of \$2.02 per share (excluding the special dividend paid at the end of the year) were just 61% of its funds from operations. Even if Alberta deteriorates further, there's very little risk of the dividend getting cut.

If investors take equal positions of these three companies, they're looking at sustainable dividends of 4.8%, with the potential for an annual increase in income of about 5%. That's pretty much the same thing as a pension provides. It's not quite as good as a gold-plated pension, but in today's world of low interest rates and an uncertain economy, I'd say it's a pretty good alternative.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:CJR.B (Corus Entertainment Inc.)

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