These Monthly Dividends Can Help You Create Your Own Pension

Description

Thirty years ago, many workers could count on a defined benefit pension plan as their reward for sticking it out with one company for a few decades.

These days, it seems like defined benefit plans have gone the way of the dodo. In an effort to control costs, companies have largely moved to plans that allow employers to match any employee contributions. Employees are left to invest on their own.

Many employers are eschewing the whole idea of hiring employees in the first place, choosing to go with independent contractors. These contractors get paid a nice wage, but they're responsible for their own retirement.

These changes have left many Canadians scratching their heads about how to generate a sustainable flow of income during their golden years. The solution is simple–invest in a selection of safe, dividend-paying stocks, preferably those with monthly distributions.

Here are three stocks to get such a portfolio started.

Pizza Pizza

I'm a big fan of **Pizza Pizza Royalty Corp.** (TSX:PZA), especially at today's price.

Between its namesake Pizza Pizza chain and its Pizza 73 locations in Alberta, the company has 736 restaurants in total. This comfortably makes it Canada's largest pizza chain, and it is one of Canada's largest fast-food companies in general.

Here's the way the company is structured: the royalty company gets paid 6% from every pizza sold at a Pizza Pizza location and 9% from a Pizza 73 location. Investors don't have to worry about any operating expenses, since they're all taken care of in a separate company. This means investors can get paid very generous dividends.

In 2015 the company raised its monthly dividend twice, bumping it from $0.0667 to $0.0697 per share, good enough for a raise of approximately 5%. For a company currently yielding 6.8%, that's a nice increase. And with same-store sales up 6.3% in its most recent quarter, the future of that dividend looks pretty secure.

H&R REIT

Investors are concerned about **H&R Real Estate Investment Trust** (TSX:HR.UN) and its exposure to the Alberta market. It has approximately 30% of its portfolio in the province, a region that has been hit hard by oil's decline. In fact, three out of its four top tenants are energy companies. These three companies alone are responsible for 20% of H&R's gross rental income.

But these companies are locked into long-term leases, and all three look like they'll survive the downturn. In the meantime, these tenants keep paying, and dividends are just fine. In its most recent quarter H&R only paid out 67.3% of its funds from operations towards dividends. That's not bad, especially for a company with a 7.3% yield.

H&R has been focused on signing up tenants for long-term deals, which means it only has 10% of its space due for renewal over the next two years. The company also has a strong balance sheet with a 45% debt-to-assets ratio, one of the lowest in the sector. It also has $1.7 billion in real estate it owns free and clear.

In short, H&R is well positioned to continue to pay dividends even during this downturn.

Cineplex

Cineplex Inc. (TSX:CGX) is the kind of stock every investor should at least consider owning.

It has a dominant position in Canada's movie theatre business, owning approximately 80% of the market. It then took that dominance and used it to expand into everything from digital advertising to partnering with **Bank of Nova Scotia** on a branded credit card. Warren Buffett talks a lot about buying companies with a moat, and Cineplex sure qualifies.

Growth has been impressive. At the end of 2012 the company earned $95 million in normalized earnings on revenue of $1.09 billion. In 2015 revenue hit $1.37 billion and earnings were $135 million. This has led to impressive dividend growth with the annual payment increasing from $1.33 per share to $1.54.

Don't be discouraged by Cineplex's somewhat anemic 3.2% yield. It will likely raise its dividend between 7-10% in the spring, and it's easy to see years of consistent dividend growth ahead of it. Long-term investors, take notice.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

3. TSX:PZA (Pizza Pizza Royalty Corp.)

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