Secure Your Retirement With These 3 Monthly Income Machines

Description

There are thousands of Canadian retirees who worry about the same thing: not getting enough income from their savings to live.

Low interest rates are a big contributor to these fears. With GICs and government bonds barely paying out 1-2% a year, investors are forced to look at other options. It's not terribly hard to find stocks that yield anywhere from 3-5%, but yields much higher than that are hard to come by. Many of the stocks that yield more than 5% are riddled with issues that could eventually lead to a dividend cut. If dividends get cut, it usually means a sizable decline in the stock price.

That's something no retiree wants to deal with.

It's not all bleak for retirees. They simply have to get choosy, discarding the poor companies with dodgy dividends for tried-and-true performers, companies that can at least maintain their payout over the long term. Here are three such stocks.

Boston Pizza

Boston Pizza Royalties Income Fund (TSX:BPF.UN) has built itself up to become a real powerhouse in Canadian dining. It has more than 370 locations from coast to coast that collectively earn more than $1 billion annually in revenue.

Same-store-sales growth, a key metric in the restaurant business, has been fine, averaging 1.7% annually over the last three years. Total sales growth was even better thanks to new locations coming online, increasing approximately 4% each year over the same time period. And this is even in spite of weakness in Alberta, a key operating area with 107 restaurants.

The dividend is perhaps the best part of investing in Boston Pizza. The company pays a 7.5% yield, which is fantastic compared to other income-generating options. Dividend growth is outstanding as well with management increasing the dividend five times in the last five years. In 2011, the payout was $0.084 per month. These days, it's $0.115. That's an annual growth rate of 7.5% a year–excellent for a stock with such a high current yield.

Smart REIT

It's often **RioCan** that gets all the attention in the world of real estate investment trusts. It's easy to see why. The company has a demonstrated dividend history, quality assets, and excellent management.

But many investors are starting to prefer **Smart REIT** (TSX:SRU.UN) instead. They like Smart's focus on **Wal-Mart** as an anchor tenant, content to hitch their fortunes to the world's largest retailer. Having Wal-Mart stores to draw in traffic is a big plus for Smart's occupancy, which is currently about as good as it gets as it hovers around 99%.

Investors don't have to worry much about Smart's 5% yield either. It has one of the lowest payouts in the whole REIT universe, coming in at 77% of adjusted funds from operations. Compare that to RioCan, which has a payout ratio much closer to 90%. Smart also has solid dividend growth; it upped its payout in 2014 and 2015. RioCan hasn't hiked its monthly dividend since 2013.

Alaris

Alaris Royalty Corp. (TSX:AD) is a company not on the radar of many investors. It structures royalty deals with companies in need of cash. The company gets the cash it needs, while Alaris gets an equity stake and an annual income stream.

Let's look at a specific example to see how it works. Alaris gave Planet Fitness a US$40 million capital injection in exchange for an annual payment of US$5.9 million. This royalty resets each year too, increasing or decreasing depending on same-store sales. In total, Alaris has more than a dozen such arrangements.

The combination of attractive returns and the annual reset of each royalty makes Alaris a pretty nice dividend stock. Shares currently yield 6.1% on a $0.135-per-share monthly payout. The payout appears to be pretty safe too, with dividends only accounting for 80% of its net cash from operating activities over the last year.

Dividend growth has been great as well. Five years ago the company paid out $0.085 per share on a monthly basis. It has grown that payout a nickel per share since, which is good enough for an 8.5% annual increase. There aren't many companies out there that can offer such a combination of current yield and potential dividend growth.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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