



Retirees: These 3 Rock-Solid Dividend Payers Are as Good as Any Pension

Description

Many baby boomers are struggling with one big issue: How will they generate enough income when they retire?

Yields from traditional fixed-income choices aren't what they used to be. Long-term government bonds pay less than 3%. GICs pay even less. Low interest rates make annuities unattractive for many retirees. And in today's world, only a select few can count on a pension that will take care of all of their expenses.

What's a retiree to do? There is an option that might require a little more work, but I think it can be a great solution. They can stuff their portfolios with some of Canada's finest companies, creating their own tax-advantaged pension with dividends.

Yes, I realize dividends can be cut. But a diverse portfolio filled with companies that have a history of raising dividends will easily shrug off a dividend cut or two.

Here are three stocks to get retirees started.

RioCan

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is a huge owner of retail space. It owns 340 properties, covering 79 million square feet across Canada and the United States. The company just agreed to sell the almost 10 million square foot U.S. portfolio to a division of **Blackstone** for \$2.7 billion—cash that will be used to strengthen the company's balance sheet and fund further development in Canada.

RioCan has been publicly traded for some 20 years, which has created an interesting opportunity for the company. Property bought 20 years ago is now sitting on some very valuable land, especially in the Toronto area. This land is slowly being redeveloped into multi-use facilities that have retail space on the bottom and condos above. Since it has already paid for the land, RioCan's cost to develop these new buildings is much lower than the competition's.

RioCan currently pays a 5.4% dividend—a great yield in today’s low interest rate world. It hasn’t missed a dividend in its history as a publicly traded company. You won’t find many dividend records much better than that.

Inter Pipeline

Inter Pipeline Ltd. (TSX:IPL) is a forgotten player in the oil transport business, even though it has a market cap of more than \$8.5 billion.

Dividend investors have loved this stock for years. It pays out a terrific 6.1% yield, a payout which has been increased for 13 years in a row. The company has an excellent balance sheet, and the majority of its income comes from fee-based contracts with no exposure to commodity prices. And the payout ratio is solid as well, hovering around 70% of funds from operations.

Inter Pipeline has been busy expanding its Alberta-based network in recent years. Some 60% of earnings come from the 2.2 million barrels of oil it transports per day from the oil sands to refineries in Edmonton. Those pipelines have a capacity of 4.6 million barrels per day, giving the company a very easy way to increase earnings once production in the region ramps up again.

TransAlta Renewables

Unlike its troubled coal-dominated parent, **TransAlta Renewables Inc.** ([TSX:RNW](#)) looks to be a pretty solid dividend-paying investment.

Renewables is a diverse power provider. It has assets in Canada, the U.S., and most recently, Australia. Approximately 50% of its asset base is in natural gas-fired power with wind and hydro power making up the rest. When it completes building more assets in Australia come 2017, the company will have more than doubled its generating capacity in just over four years.

When the company was first spun off from its parent in 2013, it paid a \$0.75 per share dividend. Management now projects the payout to grow to \$0.94 per share by 2017. In 2016, the company plans to generate nearly \$300 million in funds from operations while paying out some \$200 million in dividends. That’s the kind of payout ratio investors like to see, especially from a stock that yields more than 7.1%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:RNW (TransAlta Renewables)

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Author

nelsonpsmith

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