Create Your Own Pension With These 3 Dividend-Growth Stalwarts

Description

Most government employees don’t realize just how lucky they are.

Probably the biggest advantage of working for the government is retirement. Government employees don’t have to worry about their golden years, knowing there’s a gold-plated pension waiting for them as soon as they finish their 25 or 30 years of service.

The average employee doesn’t get that kind of treatment. The corporate pension has been increasingly replaced by the RRSP match, where an employer kicks in approximately 5% of an employee’s salary to an RRSP. It’s then up to the employee to take care of the rest, and many are forced to invest the cash in expensive mutual funds.

These employees are also faced with a difficult task come retirement age. How are relatively unsophisticated investors supposed to effectively convert capital into income?

One way to do so is to load up on some of Canada’s top dividend-growth stocks, preferably ones that pay monthly dividends. Here are three of the best to get you started.

Pembina Pipeline

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA) is one of Canada’s largest energy infrastructure companies. Assets include 9,300 km of conventional oil pipelines, 1,650 km of oil sands and heavy oil pipelines, more than 1,700 MMcf/d in natural gas–processing capacity, as well as substantial oil storage capacity and 18 different truck terminals.

Like many of its peers, Pembina has been investing heavily into new projects, focusing on those that have secure counterparties. It has $5.2 billion worth of projects on the go with an additional $2 billion or so planned. That’s a lot of growth for a company that currently has a market cap of $14.9 billion.

These growth projects should mean good things for Pembina’s dividend, which currently sits at $0.16 per share each month–good enough for a 4.8% yield. EBITDA is expected to grow between 15% and 25% annually between now through 2018. The current payout ratio is approximately 80%, and management has hiked the dividend each year since 2012.

Altagas

Altagas Ltd. (TSX:ALA) is one of Canada’s leading natural gas utilities, supplying the commodity to more than 560,000 customers across Canada. It also has 1,688 MW of power-generation capacity in both Canada and the United States, as well as transporting more than two BCF/d of natural gas through its pipeline network.

The utility business delivers consistent earnings, and investors have to like how diversified the company is with the three divisions weighted almost equally. Growth has been solid as well with

EBITDA growing from approximately $300 million in 2010 to a forecast of approximately $750 million in 2016. Some 98% of earnings come from non-commodity sources compared to 50% in 2010.

Altagas has made a commitment to grow its dividend since 2010, delivering an average raise to shareholders of 8% a year. Even though the company has billions in new growth projects planned, it should be able to continue raising the payout, which is currently 6.3%. The payout ratio is quite low, coming in at 57% of funds from operations.

Alaris Royalty

It isn't often investors get to take advantage of an irrational sale in stocks, especially in today's market. **Alaris Royalty Corp.** (TSX:AD) is such an opportunity with shares down 25% in the last three months on what looks to be a temporary issue.

The royalty business is a good one. A company looking for capital will issue Alaris non-voting preferred shares with a dividend between 10% and 15%, depending on certain risk factors. Since Alaris can raise capital at a much lower cost than 10%, this translates into succulent dividends for investors.

Alaris is currently dealing with issues from one of its partners, which hasn't made a payment since 2014. Still, even after accounting for that issue, the company only pays out less than 80% of earnings towards dividends with that payout ratio slated to come down even further in 2017. Shares currently yield 7.6%, and the company has grown its dividend by an average of 13% over the last five years.

The bottom line

Investors don't need to choose between high yield and dividend growth. Pembina Pipeline, Altagas, and Alaris Royalty allow retirees to get the best of both worlds. It doesn't get much better than that.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:PPL (Pembina Pipeline Corporation)

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