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

Description

With GIC yields barely hitting 2% and other safe options offering even less, retirees these days are forced to take risks with their capital.

It wasn't always this bad. A few decades ago, even front-line employees could count on a pension. As corporations have cut back in an increasingly competitive world, pensions have been replaced with the RRSP match. Taking free money offered by an employer is always a good idea, but I think most investors would prefer the guaranteed cash flow of a pension.

Still, investors don't have to fret. Turning retirement savings into a dependable stream of income isn't that difficult. All it takes is a diverse portfolio filled with Canada's finest dividend-growth stocks. Sure, some of these stocks will inevitably run into problems, but the whole portfolio should continue to churn out an ever-increasing stream of income.

That's music to a retiree's ears.

Here are three great companies to get you started.

Telus

Telus Corporation (TSX:T)(NYSE:TU) is a major holding for most dividend investors. It's easy to see why.

It's obvious the world of wireless is just getting started. In the next 20 years, everything from our cars to refrigerators will be connected to the internet. Our entertainment options will slowly shift to being solely online. And even supermarkets will be forced to start offering the ability to buy bananas or steak over the internet.

There's one clear winner in such a world, and that's a company like Telus. It's the gateway to the internet.

Telus also is committed to giving back to shareholders. The company has hiked its quarterly dividend twice annually since 2011, increasing the quarterly payment from $0.29 per share five years ago to $0.46 today. That's good enough for a 4.3% yield.

Telus is also giving back to shareholders in a different way: it's buying back millions of its own shares. Four years ago Telus had 655 million shares outstanding. These days, that number is 594 million. The company bought back 60 million shares in just four years–an investment worth approximately $2 billion.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) paid its first dividend in 1829. It hasn't missed a payout since, giving it Canada's longest consecutive dividend streak.

Much has changed in the last 187 years. BMO has expanded, first across Canada, and then into the United States. Approximately 20% of profits now come from its U.S. operations.

It has also expanded aggressively into capital markets and wealth management on both sides of the border. Those two divisions account for 22% and 16% of net income, respectively.

Management has made dividend growth a priority since the aftermath of the 2008-09 crisis, much to the delight of long-term shareholders. After keeping the dividend steady from 2008 to 2011, BMO has aggressively hiked its annual dividend from $2.80 per share to $3.44 per share in 2016. Dividend growth has averaged 8% over the past 15 years.

Shares currently yield 4.1%, giving investors a nice blend of income today and growth for tomorrow.

Pizza Pizza

The combination of steady income, a dominant market share, and steadily increasing monthly dividends make **Pizza Pizza Royalty Corp.** (TSX:PZA) the perfect retirement stock.

Pizza Pizza is Canada's largest pizza chain, with more than 700 locations from coast to coast. Most of its restaurants are located in Ontario and Alberta with a few scattered across other provinces. The company is also smart about putting locations in alternate locations–like at stadiums, museums, or movie theatres–and has invested millions into allowing customers to order online.

Although the chain's Pizza 73 stores are suffering from the economic downturn in Alberta, overall same-store sales continue to be decent, increasing by 1.7% thus far in 2016. Total sales were up 2.4%.

This predictable growth leads to steady, albeit unspectacular, dividend increases. The company has hiked its dividend twice in the past year, increasing the monthly payment from 6.8 cents per share to 7.13 cents. That's an increase of 4.9%, easily outpacing inflation.

That kind of dividend growth is quite acceptable, especially when combined with the company's current 5.7% yield.

The bottom line

A portfolio of Pizza Pizza, Telus, and Bank of Montreal would yield 4.7% while offering dividend growth of approximately 6-7% annually. That's the foundation to a good retirement.

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1. Editor's Choice

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:TU (TELUS)
3. TSX:BMO (Bank Of Montreal)
4. TSX:PZA (Pizza Pizza Royalty Corp.)
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Date
2025/08/21
Date Created
2016/10/17
Author
nelsonpsmith