

Retirees: 3 Easy Ways to Give Yourself a Raise

Description

We'd all like more money, right?

This is especially the case during our golden years. Many people who retire at the traditional age can look forward to another 20 or 25 years of active living. So they plan a loaded retirement filled with travel, plenty of time with the grandkids, and, of course, as much golf as possible.

Unfortunately, many retirees have a problem. They just don't have enough money to do all of that. Sure, they've got enough to survive and maybe have a little fun. But it's not enough to do some of the finer things in life.

Should these retirees give up? Hardly. It turns out it isn't really that hard to give yourself a nice raise. Here are three easy ways to do just that.

Get a part-time job

I know. I know. The whole point of retiring is so you don't have to work.

But many retirees face a boredom problem. After three or six months, the honey-do list is complete and they find themselves struggling to fill the days. The endless vacation starts feeling like a chore, not a privilege.

A part-time job is the perfect solution. Just 10 hours per week at \$15 per hour turns into an additional income stream of nearly \$8,000 per year. Or, to put it another way, it's the equivalent of saving an additional \$195,000 and withdrawing 4% a year.

Besides, a part-time job is a good deal. It gets a retiree out of the house and into a social setting. It's hard to spend all day with your spouse after 40 years of spending entire days away from each other.

Move somewhere cheaper

I live in a small town just outside Calgary, and I see this all the time. Folks sell their fancy houses in the city and come to our town where real estate costs about half as much.

Say these people are sitting on a place worth \$500,000 in Calgary that's fully paid for. They move to a smaller town and downsize, spending \$200,000 on a decent but smaller house. That \$300,000 turns into \$12,000 of additional yearly income based on a 4% withdrawal rate.

That can make a huge difference come retirement time. In fact, for some Canadians with 100% of their net worth tied up in their house, that action alone would turn a frugal retirement into something much better.

Buy high-yield stocks

Many investors completely avoid high-yield stocks, afraid the generous payouts are bound to get cut. After all, there's no such thing as a free lunch in the stock market.

That attitude is short-sighted. There are dozens of high-yield stocks that have never missed a payout. In fact, some earn enough to easily cover their generous dividends, creating a nice margin of safety.

Take **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)), one of my favourite REITs. The company pays an 8.5% dividend — one of the highest yields on the TSX.

Some investors argue such a payout is inherently dangerous, but the numbers don't agree. It's on pace to generate approximately \$1.30 in adjusted funds from operations per share for 2016 — fourth-quarter results aren't out yet — versus an annual distribution of \$1.08 per share. That's a payout ratio of 83%, which is about average for the sector.

Another example is **Aimia Inc.** ([TSX:AIM](#)), the parent of Aeroplan, Canada's most popular customer loyalty program. The company pays a dividend that's even better than Artis, giving investors a 9.2% yield.

Aimia easily generates enough free cash flow to cover the payout. Management projects free cash flow will be between \$190 and \$210 million for fiscal 2016 versus dividend obligations of approximately \$135 million. In fact, management just hiked the dividend. That wouldn't have happened if there was any doubt about being able to meet the obligation.

The bottom line

Retirement doesn't have to be a tough time. Even folks without a big nest egg can easily stretch their savings by getting a part-time job, downsizing to a cheaper community, or switching to high-yield stocks. These small sacrifices can easily produce thousands per year in extra income — cash that can make a huge difference in one's standard of living.

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1. Dividend Stocks
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1. TSX:AIM (Aimia Inc.)
2. TSX:AX.UN (Artis Real Estate Investment Trust)

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