



Retirees: Create Your Own Pension With These+5% Yielders

Description

Forty years ago, it seemed like just about everyone could count on a pension, even blue-collar employees.

Things are a lot different today. Pensions are expensive, competition is fierce, and folks are living longer than ever. So employers everywhere cut pensions for anyone except management and gave employees matching RRSP contributions. That way, employers know their costs 100% up front.

This means millions of Canadians are close to retirement age with no idea how to convert their savings into income. Managed products like mutual funds can help, but they come with huge fees. The best solution is to buy great dividend payers that have a history of delivering high, sustainable yields, preferably companies that pay monthly.

Fortunately for retirees, there are dozens of these companies. Here are three of the best, all with yields above 5%.

First National

First National Financial Corp. ([TSX:FN](#)) has quietly become a behemoth in the Canadian mortgage market. It has more than \$100 billion in loans outstanding and owns 15% of the broker market, making it the largest lender that deals exclusively with mortgage brokers.

First National originates billions of dollars in new mortgages using just five regional offices, the kind of efficiency most banks dream about. This allows it to have some of the lowest rates out there, which it uses to attract prime borrowers. Virtually all of First National's outstanding loans are to A+ borrowers and are protected by mortgage default insurance.

The company is essentially a mortgage service provider. It sells its loans to pension funds, insurance companies, and other big investors, retaining an annual fee in exchange for servicing the loan. As long as borrowers keep choosing First National, the fees keep rolling in.

And the best part? First National pays a 14.17 cent per share monthly dividend — good enough for a

5.9% yield. With a payout ratio of less than 60% of projected 2017 earnings, investors don't have to worry about the yield. It's solid.

H&R REIT

H&R Real Estate Investment Trust ([TSX:HR.UN](#)) is Canada's second-largest publicly traded real estate company with more than \$14 billion worth of assets. It's also incredibly diverse, holding office, retail, industrial, and residential property. Finally, it's a significant player in the United States through its 33% stake in ECHO Realty.

The company is a perfect mixture of great assets and current yield. Many of its peers barely yield 5% as investors have bid up their share price, content to pay more for quality. H&R has similarly attractive assets, yet it yields 6.1%, which is a nice premium. That translates into 10-20% more income.

H&R's management are also great stewards of shareholder capital. They recently announced a dividend increase as well as pledged to buy back up to five million shares.

TransAlta Renewables

While I like the idea of investing in a clean-energy revolution, I need more than that. I also want a company that's profitable and pays a succulent dividend.

TransAlta Renewables Inc. ([TSX:RNW](#)) checks all those boxes.

Renewables has been a growth machine lately, and it doesn't look like it'll stop, either. The company still has plenty of acquisition possibilities from its parent company, and there's a plethora of investment opportunities all across North America as aging coal-fired plants get replaced. With a debt-to-assets ratio of just 25%, it has the balance sheet strength needed to make these investments too.

The company currently offers a 7.33-cent-per-share monthly payout — good enough for a 5.9% yield. Management has already committed to increasing the dividend this year when a big new project is completed.

The bottom line

It stinks not having a pension, but don't fear. A portfolio stuffed with names such as First National, H&R REIT, and TransAlta Renewables is a perfectly acceptable substitute. They're the kind of rock-solid companies that can take the financial stress out of any retirement. Just sit back, relax, and let those succulent dividends roll in each month.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

3. TSX:RNW (TransAlta Renewables)

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