

Retirees: These 3 Dividend Studs Are as Good as Any Pension

Description

Unless you work for the government or end up in a management position in a large company, chances are, you aren't looking forward to a pension.

The world is a competitive place, which means this trend isn't about to go away either. Companies have gone from giving employees generous pensions to barely matching RRSP contributions. Businesses are increasingly using contract labour these days, which doesn't come with any retirement obligation at all. This saves even more money.

It all means most of us will be on our own come retirement time.

Fortunately, there's a way for investors to easily build their own pension. All they need to do is create a portfolio filled with some of Canada's best dividend-growth stocks. Such a portfolio will ensure a consistent income stream growing faster than inflation.

Here are three terrific stocks to form the bedrock of such a portfolio.

CIBC

There's one simple reason to like **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) over its peers: valuation.

Thanks to its Canadian-centric operations — which isn't what investors want to see right now — CIBC trades at 10.1 times trailing earnings and 11.3 times analyst expectations for 2017. That is the cheapest of Canada's five largest banks. CIBC also trades at 1.95 times book value, while its peers are all over two times book.

The bank is taking steps to shed its purely Canada image, agreeing to acquire Chicago-based PrivateBancorp for \$4.9 billion. The deal was agreed to before bank values shot higher after the U.S. election, which means it may be in jeopardy of being rejected by PrivateBancorp's shareholders. The vote happens in May.

Even if CIBC doesn't acquire its prize, Canadian banks have been an unbelievable investment over the years.

Oh, and the company pays a 4.3% dividend and has hiked the payout by 41% in the last five years.

Transcontinental

Transcontinental Inc. ([TSX:TCL.A](#)) is one of Canada's largest commercial printing companies, doing everything from newspapers to food labels. It might not be a sexy business, but it's necessary and quite profitable.

In the last year, Transcontinental has earned \$1.96 per share, putting the company at less than 12 times trailing earnings. It's even cheaper from a cash flow perspective; the company earned \$3.20 per share in free cash flow over the last year. Analysts expect earnings to increase to \$2.40 per share in the company's fiscal 2017.

Transcontinental currently pays a \$0.20 per share quarterly dividend — good enough for a 3.5% yield. With a payout ratio of just 41% of trailing earnings, the dividend looks rock solid. Additionally, the company has hiked the dividend by 43% in the last five years.

Inter Pipeline

Inter Pipeline Ltd. (TSX:IPL) is an energy stock that isn't impacted much by low oil prices. The company has been making an effort to get paid based on volumes alone, not based on commodity prices. This has been a smart move.

The company's main source of revenue is three main pipelines that bring bitumen down from the oil sands to refineries close to Edmonton. Those three projects move about 2.3 million barrels of oil per day with capacity to move two million barrels more. The company also owns conventional oil pipelines, natural gas pipelines, and storage facilities in Europe.

Inter Pipeline has an attractive 5.8% yield, which works out to 13.5 cents per share on a monthly basis. The dividend has been hiked five times since 2012 at an average of 9% per year. With a payout ratio of approximately 70% of funds from operations, look for dividend growth to continue.

The bottom line

Building your own pension doesn't need to be difficult. All an investor needs to do is load up on great stocks like Inter Pipeline, Transcontinental, and CIBC and just have the patience to hold them for a very long time, no matter what the underlying markets do. It really can be that easy.

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:TCL.A (Transcontinental Inc.)

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Date

2025/08/25

Date Created

2017/03/10

Author

nelsonpsmith

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