

How to Generate Cash Flows of \$1,000 Per Month

Description

For many retired investors, the widely believed myth is that investing for dividends alone is the way to go. While dividends serve as positive reinforcement for investors, too many mature companies are actually in decline, which leads to a lower share price over time.

Investors should be seeking investments that are not only growing, but also have the opportunity to sustain and raise their dividends over time.

With the potential to reinvest or spend the dividends that are received, investors seeking \$1,000 per month need to begin by planning ahead. The receipt of \$1,000 per month translates to \$12,000 per year in additional income. If we assume the average dividend yield is 4% for the entire portfolio, then \$12,000 in annual income divided by 0.04 translates to investors needing a total portfolio of \$300,000.

For those giving up on higher growth rates and focusing on the dividends alone, a 5% yield would require only \$240,000 of capital. To reach this level, investors can begin by selecting investments with above-average dividend yields and, over time, hopefully get a raise.

The first name for investors to consider are shares of **Great-West Lifeco Inc.** ([TSX:GWO](#)), which as one of the country's [leading insurance companies](#). It currently pays a dividend yield in excess of 4% after raising the dividend in three of the last four years. With a beta of 0.67, investors have the opportunity to purchase shares of this low-volatility security as they wait for pay raises along the way.

Investors have a variety of income trusts to choose from. At a current price of \$6.60, shares of **Pure Industrial Real Estate Trust** (TSX:AAR.UN) pay a dividend yield close to 4.75%, yet the company has not increased the dividend for many years. As operations continue to expand south of the border, investors may still yet have [considerable upside](#), as they hold shares in this monthly dividend payer.

For investors seeking greater diversification, shares of **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) can also be added to the portfolio, as the telecommunications company pays a dividend yield of 4.8%. It derives its revenues from both business and retail customers. Most consumers know this company as Bell.

Although many investors do not begin with the specific intent to generate income, it must be noted that not every stock pays dividends on a monthly basis. As many companies pay dividends on a quarterly basis instead of monthly, investors will want to build a cushion of several months' income and pick names that deliver the number required on an annual basis. As always, patience is key.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:GWO (Great-West Lifeco Inc.)

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