

## Are You Asset Rich but Cash Poor?

### Description

People can be asset rich but cash poor. For example, a number of baby boomers who are retired or retiring soon may be sitting on a +\$1 million home, which is their biggest asset. Assets are especially valuable when you can generate income from them.

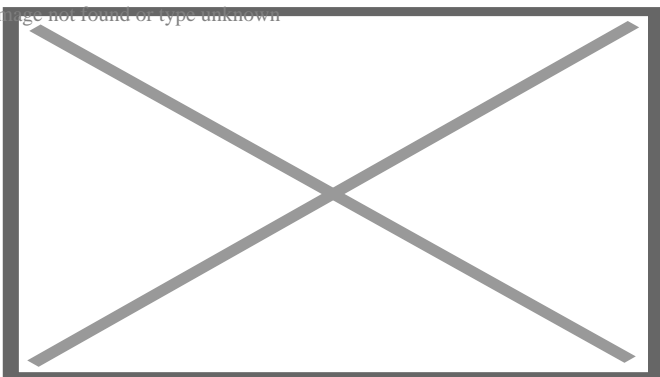
Some homeowners choose to rent out a portion of their homes to generate income. They can also get a home equity loan, which lets homeowners borrow against their home's value given that it is worth more than what they owe on it.

The loan can then be used to renovate the home to increase its value or to fund the purchase of a second property for rental purposes.

Hopefully, baby boomers will have other forms of savings and investments.

Empty nesters might consider downsizing and switching to an apartment, as they don't need the extra space, and in so doing, they would have a large sum of money to live on. That money can be invested in dividend stocks for income if the investor feels comfortable doing so.

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### What dividend stocks should you consider?

Stocks that grow their dividends over time tend to offer safer dividends. These dividend stocks include

utilities, telecoms, and pipelines. They have dipped recently because of the expectation of higher interest rates, which will increase their cost of borrowing.

If you already hold the likes of **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) for their dividends, there's no need to panic, because higher interest rates should only slow down their growth rates, but the companies' dividends should still be intact.

Given the choice, investors should aim for higher-growth companies. In the utilities space, **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) is smaller, but it's expected to deliver higher growth. Management aims to grow the company's dividend by 10% per year in the near term, while improving its payout ratio.

Algonquin has \$7.7 billion of potential investments to grow its utilities and power businesses over the next five years, which supports its dividend growth.

Algonquin currently offers a decent yield of ~4.3%. Because roughly 70% of its business is regulated, its earnings and cash flow generation are pretty predictable. The tax reform in the U.S. benefits about 20% of Algonquin's business. Overall, Algonquin doesn't expect it to materially affect its earnings.

### Investor takeaway

If you have a home or a large sum of cash sitting around, you can see if any of the mentioned methods is a potential fit for you. Consult a qualified financial advisor to hash out the details of a strategic plan to generate more income and improve your lifestyle for your golden years.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:FTS (Fortis Inc.)
5. TSX:AQN (Algonquin Power & Utilities Corp.)
6. TSX:BCE (BCE Inc.)
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