



Retirees: 3 Dividend Stocks to Boost Your Monthly Income

Description

Building a portfolio with stocks that pay [monthly dividends](#) has many advantages. The biggest attraction for retirees is that they can rely on this passive source of income to pay their bills during the golden years.

The next advantage is that you get better compounding when you get paid dividends every month and re-invest them in more shares. Here is a simple example to get this idea straight.

Let's say you own 1,000 shares of a \$10 stock at a 5% annual dividend. At the end of the year, you'll have earned 5% at \$500. Let's assume you start getting a monthly dividend for the same investment rather than annually. If you received monthly dividends, you could reinvest those dividends each month and earn 5.12% at \$511.62. This is assuming the company paying the dividend has a dividend-reinvestment plan set up.

Once you have decided to set aside your savings to generate passive income, the next step is to pick some quality stocks that provide stable monthly income. Here are my top picks.

Inter Pipeline Ltd. (TSX:IPL) is a Calgary-based energy infrastructure company running a large oil pipeline network, transporting energy products, processing natural gas, and managing bulk storage facilities for liquid energy assets.

During the recent oil slump, IPL strengthened its position in the industry, acquiring Williams Canada for \$1.35 billion. Going forward, IPL plans to build a \$3.5 billion petrochemical plant in central Alberta, taking advantage of the provincial government's subsidies for such facilities. This facility is expected to provide attractive profit margins given strong polypropylene prices in North America.

IPL generates most of its revenue and cash flows from long-term, fee-based contracts. This certainty in its revenues reduces the company's exposure to volatile energy prices, making the stock a stable provider of monthly income. The company has hiked its dividend in each of the past four years.

Trading at \$24.82 a share, IPL offers an attractive 6.52% annual dividend yield, which translates into a \$0.14-a-share monthly payout.

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#))

Shaw is a small telecom operator in Canada which is fast gaining the market share in the nation's wireless market after it acquired the Freedom Mobile.

Many telecom analysts believe Shaw will play the [role of disruptor](#), as its management targets to capture at least a quarter of the Canadian wireless market through its Freedom Mobile network.

Shaw announced this month that its mobile phone unit will attract a record number of subscribers this quarter after adding the iPhone to its lineup.

Trading at \$26.86, Shaw stock offers a 4.37% yearly dividend yield, which translates into a monthly payout of ~\$0.10 a share.

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is Canada's largest REIT. It owns and manages the country's largest portfolio of shopping centres with some top-notch retailers as its clients.

RioCan is going through some alignment in its business, as the company plans to exit smaller markets while focusing on Canada's six biggest cities, where the rental demand is strong. This shift and changing retail landscape have made some investors nervous about the prospects of this top REIT.

After a recent pullback in its share price, RioCan's dividend yield has swelled to 5.72% on an annual basis, which is close to the best since 2010. Trading at \$24.51, RioCan pays a monthly distribution of \$0.1175 a share, offering an attractive return for investors seeking to hold this stock for a long time.

The bottom line

These three stocks give you an idea how you can build a diversified portfolio of stocks that pay regular monthly dividends. As you start working on your retirement project, you should deepen your knowledge about these companies and add more top-quality dividend stocks. This is a slow but tested way to generate steady passive income to help you pay your monthly bills.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

3. TSX:SJR.B (Shaw Communications)

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Date

2025/09/06

Date Created

2018/01/30

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