Retire Rich With This Simple But Overlooked Income Investing Strategy

Description

Many retirees are finding that they're working past 65, and that's in spite of the fat nest egg they've built for themselves over the course of decades in the labour force. While retirement is plausible for many once they hit the magic number of 65, many retirees feel worried about running out of money at some point down the road. Even for retirees who've passed the "4% rule," there's this hesitation that's preventing many prospective retirees from finally hanging up the skates.

Contingent expenses are a reality, and they need to be prepared for, but at the same time, we don't want to be working into our 70s, as health problems begin to mount. We all want to be able to achieve a retirement that's actually comfortable — not one where we're barely scraping by with a fixed income that probably isn't growing on a year-over-year basis.

Simply put, there's a major difference between just retiring and retiring rich. Moreover, a richer nest egg provides the security to meet unexpected expenses down the road that would normally be a detriment to one's retirement goals. Peace of mind and a comfortable retirement is the desire, but how can one achieve this without delaying retirement by a number of years?

If you're a young investor who's thinking about retiring early, then you're well ahead of the game, and with a disciplined investment plan, you're likely going to have no problem reaching a prosperous, possibly early retirement. If you've gotten this far, though, odds are you're either a retiree or a soon-to-be retiree who's looking to construct an optimal low-risk portfolio that can supply you with a stable stream of quarterly (and monthly) income.

If you're like most retirees, you've probably sacrificed growth and dividend growth for a higher upfront dividend (or distribution) yield and lower beta (lower volatility). While a safe security with a high yield may seem like an obvious choice for a retiree, I don't think neglecting growth is the wisest decision for the newly retired.

Safety and yield are of utmost importance, but I think investors have completely neglected growth, and that's a problem, especially since many retirees are expected to live longer, which means a higher probability of contingent expenses. Growth is a worthy trait to look for after you've spotted a security with a high degree of safety and a high yield.

Why a little spark of growth into a retirement matters

Without growth, you can't really have dividend (or distribution growth). If you're sticking with a no-growth REIT with a high upfront yield, odds are the trust hasn't hiked its distribution in quite some time. And if you're a decade into your retirement, you'd be hard-pressed to see your income stream be increased by a substantial amount without adding to your principal.

There are securities out there, such as **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), that can offer a perfect balance of income, safety and growth. While it may be more volatile than your average REIT, you'll probably be thanking yourself a decade into your retirement when you see your income stream grow by +5% on an annualized basis. We all need a raise, and by keeping growth in mind, you'll secure your annual raises along with a respectable 4.4% dividend yield and a relative degree of safety.

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