Retirees: Forget About CPP and Build Your Own Pension With These 3 Dividend Studs

Description

While it's nice to know the government will make sure you don't starve in your golden years, the Canada Pension Plan falls far short of a great retirement.

Even if you'd paid into the plan faithfully for decades, the maximum you'll get from it is a little over $1,100 per month. Add in the Guaranteed Income Supplement — assuming you qualify for it — and we're up to about $1,500 per month. That's a nice start, but nobody should be forced to retire making under $20,000 a year.

There's a better solution. If you start building a portfolio today filled with Canada's best dividend stocks, by the time you retire, it's possible to have a nest egg churning out thousands of extra dollars each month. It's as simple as investing aggressively in top income stocks and letting compounding do its magic.

Here are three great dividend payers to get you started.

Extendicare

On the surface, **Extendicare** (TSX:EXE) might not seem like the kind of income stock we're looking for. Back in 2013, it cut its monthly distribution from $0.07 to $0.04 per share.

The company has changed a great deal since that traumatic event. It sold off its U.S. operations, preferring instead to stay in the much safer Canadian market. It used that cash to bolster its home health business — a sector poised to explode over the next 20 years — and buy a number of new retirement homes. Both of these moves have added nicely to the bottom line.

Extendicare used to pay out virtually all of its earnings out as dividends. These days, the payout ratio is closer to 70% of adjusted funds from operations. I wouldn't be surprised if the company announced an increase to its 6.5% dividend soon.

Brookfield Property Partners

Brookfield (TSX:BPY.UN)(NASDAQ:BPY) recently made headlines when it spent US$15 billion to acquire shopping mall operator General Growth Properties. Many pundits hated the move, questioning a transition into retail real estate when so many of us buy online.

Brookfield's management sees things a little differently. They believe shopping malls are on the cusp of a massive opportunity. These properties are centrally located, have plenty of amenities close by, and have plenty of public transportation options. They're perfect places to live. The company plans to build thousands of apartments on these properties.

In the meantime, investors are getting a 6.6% yield — a payout that has been increased every year since 2015.

First National

First National Financial (TSX:FN) is one of Canada's largest non-bank mortgage lenders. Rather than opening a large network of physical locations, it works exclusively with mortgage brokers. This allows it to keep costs down, as savings are passed on to customers.

Despite stricter mortgage qualification rules, First National still recently reported strong results. New mortgage originations were up 10% versus the same quarter last year, while assets under management rose 5%. The board of directors chose to share the spoils with shareholders, authorizing a $0.05-per-share increase in the annual distribution. The new payout will be $1.90 per share each year. That's a 6.7% yield.

The bottom line

An investment of just $5,000 into each of these stocks would generate nearly $100 per month in extra income. Do this each year for a decade, and we're looking at some serious passive-income potential.

Nobody wants to live on cat food when they retire. You won't have to if you put your capital to work in great stocks like First National Financial, Brookfield Property Partners, and Extendicare.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:EXE (Extendicare Inc.)
3. TSX:FN (First National Financial Corporation)

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