



Canadian Snowbirds: 2 Ways to Fund Your U.S. Getaway (Without Paying Ridiculous Fees!)

Description

It's about time for thousands of Canadians to head south for the winter, joining even larger numbers that are already there. One estimate says there are more than one million Canadians who spend at least 30 days each winter in a warmer climate, with the most popular locations being the United States and Mexico.

These Canadian snowbirds are each shelling out thousands of American Dollars to fund their trip, and many are likely paying currency conversion fees at their bank. The fees can be as high as 2.5%, which really add up when you're converting so much.

There's a better solution. Here are a couple of ways you can use your portfolio to cheaply and easily convert your Canadian dollars into U.S. cash.

Special Canadian stocks

There are a select few stocks that you can purchase with Canadian dollars and then get U.S. dollars back as dividends. A retiree would then accumulate these dividends in a U.S. dollar account and withdraw this money when they head south, thus avoiding any currency conversion fees.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)), the auto parts giant, is one of the largest such stocks in Canada. Not only does Magna pay its distribution in U.S. dollars — the payout stands at US\$0.33 per share on a quarterly basis, good enough for a 2.5% yield today — but it also gives investors a reasonably-priced way to gain a little international exposure in their portfolio. Remember, Magna has operations around the world.

Shares trade hands at a very reasonable valuation of just 7.8 times trailing earnings, and the company's growth prospects look good. It has recently been winning contracts to build cars from scratch for some of the world's largest automakers.

The board of directors is also committed to buying back shares, which should also help boost earnings

per share each year. And Magna has hiked its dividend annually since 2009.

Investors looking for a higher yield paid in U.S. dollars should check out **Slate Retail REIT** (TSX:SRT.UN), which owns grocery-anchored retail real estate in medium-sized U.S. cities. Grocery stores are mostly immune to online competition at this point, and they attract nice foot traffic. This traffic then attracts other retailers.

Slate offers more than a 9.1% yield, although that's a great starting point. The company trades comfortably under book value with a very reasonable price-to-earnings ratio. The company has all sorts of expansion potential; the U.S. is a big market with a great deal of grocery-anchored real estate. And Slate's management team clearly thinks shares are undervalued today. The company has a tender offer outstanding to buy back 4.2 million shares from existing shareholders.

Norbert's Gambit

There's an easy way to convert your Canadian currency into U.S. cash without paying high fees.

You simply take a stock that you already own on the TSX and then sell it on the **New York Stock Exchange**. This strategy is limited to stocks that freely trade on both exchanges, of course. You then pocket the U.S. currency and use it on your next American holiday.

Let's look at **Toronto-Dominion Bank** shares as an example. They currently trade hands at \$72.83 on the **Toronto Stock Exchange** and US\$55.06 on the New York Stock Exchange. The U.S. dollar is currently worth \$1.32097 Canadian. If we do the math we get two values within pennies of each other using constant currency.

Even after factoring in commissions to trade the stock, this strategy will allow an investor to come ahead exchanging a relatively small amount of money. If you're using it to do tens of thousands of dollars, the savings will be significant.

Note that some brokerages will make you do a little extra work to do this, so it's best to research the requirements with your broker specifically before making the trade.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:MG (Magna International Inc.)
4. TSX:SGR.UN (Slate Retail REIT)
5. TSX:TD (The Toronto-Dominion Bank)

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