



Retirees: Create Your Own Pension With These 3 CPP-Approved Investments

Description

I have good news and I have bad news.

Let's start with the bad news, since it's always best to get it out of the way first. Chances are, unless you work for the government or are a member of the management team of a large corporation, you're not getting a pension. But that's okay, because the good news is a diverse portfolio of high-quality Canadian stocks can provide [dependable dividend income](#). And that's almost as good. What do you think the big pension plans invest in, anyway?

In fact, we can take this one step further and put our cash to work in the exact same investments as the granddaddy of all pensions, the Canada Pension Plan (CPP). We can't replicate the portfolio exactly, because the plan gets access to some unique investments, but we can copy the publicly traded stocks in its portfolio in our own.

Let's take a closer look at three of CPP's top holdings and why they'd look great in your own [personal pension plan](#).

WSP Global

CPP owns more than 20 million shares of **WSP Global** ([TSX:WSP](#)), an engineering and consultation firm headquartered in Montreal. The company recently overtook **SNC-Lavalin** as Canada's largest company in that sector.

A cynic might argue there's a very simple reason why the CPP has a big stake in the company. Various parts of the government talked to each other and admitted WSP would be the company of choice called upon whenever the feds had a big contract. But that's not the whole picture here. For starters, Canada is just a portion of WSP's business. And the company doesn't actually do any construction. That's a big advantage right there.

WSP has been a growth-by-acquisition story. Revenues shot up more than 13% in its most recent quarter on the back of new acquisitions, with adjusted profit up 27%. There's still plenty of potential for

the company to get bigger, too.

Finally, WSP pays a solid 2.1% dividend.

Royal Bank of Canada

The CPP has approximately \$1.5 billion invested in WSP Global. It doesn't have quite that much invested in **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), but it still has a sizable position in Canada's largest bank, totaling just under \$600 million.

It's easy to see why Royal Bank would be one of the cornerstone investments in an income-producing retirement portfolio. It is arguably the best-run company in one of the most investor-friendly sectors. Canada's largest banks have made countless investors rich over the years and look poised to continue that dominance for decades to come.

Investors should also remember that the company's assets don't just consist of Canadian banking. Royal Bank has large insurance, capital markets, and wealth management arms. It also owns a regional bank in the United States. Assets from the United States account for about a third of total earnings.

Royal Bank pays a 3.9% dividend and has an excellent track record of growing that payout. This combination of current yield and dividend growth make it a terrific long-term investment.

TMX Group

Finally, the CPP owns a big chunk of **TMX Group** ([TSX:X](#)) shares. It owns more than 5.2 million TMX shares — an investment worth approximately \$450 million.

TMX Group is the owner of both the Toronto Stock Exchange and the Montreal Derivatives Exchange, the only two stock markets of any consequence in Canada. It also owns the TSX Venture Exchange for smaller companies and the TSX Alpha Exchange. And it sells real-time market data to both investors and financial news coverage.

It's easy to see why a pension fund would want to own the local stock exchange. There's an obvious moat there. Any Canadian company that wants exposure to investor capital must apply to trade on the Toronto Stock Exchange. This combined with trading fees generates gobs of dependable earnings that should be relatively consistent, even through a recession.

TMX Group shares pay a 2.7% dividend yield, and the company has increased its dividend by more than 50% since 2016.

CATEGORY

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)
3. TSX:WSP (WSP Global)
4. TSX:X (TMX Group)

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