How to Boost Your Retirement Income in a Low-Rate Environment

Description

One of the biggest challenges that many workers of our time face is increasing their retirement income when the traditional avenues of income pay almost nothing.

In this perpetually low interest rate environment, you can't rely on saving accounts, GICs, and other fixed-income assets to earn enough income for your golden years. But if you plan to put together a reliable nest egg for your retirement years, then you have to be willing to add some quality dividend stocks to your portfolio.

Adding the best dividend stocks and then continuing to buy more of them from your dividend income can produce a powerful savings tool for you. That means you also need to get ready to add some risk to your portfolio, because investing in stocks isn't as safe as buying GICs, or putting money in your savings account.

That being said, there are ways to manage your risk. You can do careful due diligence of the stocks you're buying. For example, you can find some top companies that operate in a kind of oligopoly where competition is limited, the regulatory environment is very favourable for their growth, and they have very established and diversified revenue base.

Canada's Big Five banks have been very consistent in rewarding investors through steadily growing dividends. They spend about 40-50% of their income paying dividends. Such predictability is unique and makes them very attractive targets for income-seeking investors.

You buy and hold one or two stocks from this group, such as **Royal Bank of Canada** or **Toronto-Dominion Bank**.

Similarly, you can also buy some energy infrastructure stocks, which provide electricity, gas, and other energy products to customers. Their rate of return is generally well defined and the demand of their products is pretty consistent.

Due to this certainty in their cash flows, gas and power utilities and pipeline operators offer a good option to receive growing dividends. In this space, I like **Fortis**.

Between 2006 and 2019, Fortis's annual distribution increased from $0.67 to $1.80 a share — a very impressive track record of rewarding investors. The company has increased its dividend payout for 45 consecutive years — a record few companies can maintain.

Bottom line

Even in this low-rate environment, you can still earn a better return to improve your retirement income. In order to achieve that goal, you need a disciplined investment approach, buying some solid dividend-paying stocks and holding them for a long time.

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hanwar