Retire at 55 Using a Simple Plan: Invest in Dividend Stocks

Description

Based on a study by Statistics Canada, about 45% of Canadians are hoping to retire before the age of 65, while 24% are planning to retire at age 65 or later. But for the 31% who are unsure, there is a simple plan where you can retire at 55.

The ultimate plan is to make savings a prelude to investment. If you have enough money, invest in great dividend stocks such as **BCE** (TSX:BCE)(NYSE:BCE), **Laurentian Bank** (TSX:LB), and **American Hotel Income Properties** (TSX:HOT.UN). You can live off the dividends and enjoy an early retirement.

Cash cow

Retirees are wealthy today because they are long-time investors and still are invested in telecom giant BCE. The dividend payments of this $57.6 billion company are as stable and reliable as its internet services. BCE is one of the so-called dividend all-stars because of the 10-year streak of dividend increases.

The primary business segments of BCE — Bell Wireless, Bell Wireline, and Bell Media — are all industry leaders. All three are responsible for BCE's revenue growth, increasing profit margins, and high return on equity. BCE will continue to generate sustainable cash flow from operations for decades to come.

Anyone who invests in BCE is sitting on a cash cow. This telecom provider, media creator, and co-owner of pro sports teams pay 4.95% dividend. At this yield and a 25-year investment time frame, the total return, including the compounding effect, would result in 162.8%.

Dividend Aristocrat

Although Laurentian is not among the Big Five banks in Canada, this relatively small bank is as prodigious in creating wealth for investors. The bank stock is also Dividend Aristocrat, as it has a dividend streak of 11 years. During the same period, the bank has been delivering consistent income to dividend investors.

In the banking sector, this $1.9 billion financial institution pays the highest dividend. Laurentian pays a 5.88% dividend and maintains a 64.84% payout ratio. With this low ratio, the dividends are safe and adequately covered by the bank's earnings.

Given its yield, your total return on Laurentian would be 213.5%, including the compounding effect, and within a 25-year investment horizon. The bank expects the backbone of Canada's economy, the small- and medium-sized enterprises, to drive growth. By 2022, the bank hopes to be as profitable as the big banks.

Dividend titan

American Hotel Income Properties, or AHIP, a real estate investment trust (REIT), is one of the highest dividend-paying stocks, if not *the* highest. This REIT stock pays a fantastic 12.95% dividend. You would be curious to find out the total return this $518.7 million REIT would deliver in 25 years.

Assuming AHIP can maintain the dividend yield, you're looking at a total return of 1,042.2%. Furthermore, your investment could double in fewer than six years. AHIP is a dividend machine for the wealth builder.

The niche market of AHIP is the secondary U.S. hotel industry. These select-service hotels comprise roughly 89% of all U.S. hotel projects. If the niche sector expands and continues its steady growth, the rental payments can sustain AHIP's operations for several years down the road.

Achievable theory

Timing your retirement is easy if you have the money. Retiring at 55 is a grand theory. You can achieve it and make it happen by investing BCE, Laurentian Bank, and AHIP.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:HOT.UN (American Hotel Income Properties REIT LP)
4. TSX:LB (Laurentian Bank of Canada)

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