Retirees: Grow Your Nest Egg With Dividend Reinvesting

Description

The practice of using the dividends you get from your stock investments to buy more shares is known as dividend reinvestment. As a retiree, you have the option to keep growing your nest egg through dividend reinvesting.

This strategy works if you have several sources of short-term income. But if dividend income is your paycheck during retirement, assess your financial situation first.

Still, many retirees find it rewarding to reinvest dividends rather than take the cash. Usually, dividends are not substantial, so it will better serve you if you continue reinvesting the money until it grows considerably. Many companies have dividend-reinvestment plans (DRIPs) should you find the need to reinvest.

You can invest in high-yield dividend stocks like **Cervus** (TSX:CERV) and **Great-West** (TSX:GWO) and use their DRIPs. If you don't, you still benefit from the high yields both stocks provide and create a stable, passive income.

Small-cap dividend machine

Cervus is a small-cap company globally known as an equipment dealer of six industry-leading brands, namely John Deere, Peterbilt, Clark, JLG, Doosan, and Sellick. On the TSX, Cervus is popular with retirees and income seekers because the stock pays a high dividend of 5.3%.

This $127.23 million firm owns and manages a total of 63 dealerships in Canada, Australia, and New Zealand. In 2018, Cervus reported $1.3 billion in revenue and is on track to duplicate the sales volume this year, which would also mean four consecutive years of profitability.

The price has been hovering between $8 and $9 since September, but analysts are looking at a potential upside of 68.67% beyond 2020. Your possible overall return could be higher if you factor in the dividend to the capital gain. In terms of growth estimates, Cervus expects annual growth of 7% in the next five years.

Large-cap dividend machine

Great-West is a well-established international financial services holding company that has been in existence since 1891. This $28.5 billion firm is a compelling investment option because it has both capital strength and financial flexibility. Those are the characteristics you should be looking in a dividend stock.

The stock help retirees Great-West is an international financial services company with interests in life insurance, health insurance, retirement and investment services, asset management, and reinsurance businesses. Its main attributes are capital strength and financial flexibility.

Great-West is as robust as the other renowned companies. Currently, it has $1.4 trillion in assets under administration. The client base in each of the major business segments (life and health insurance, retirement and investment services, asset management, and reinsurance) is continuously growing.

As of this writing, the stock is trading at $30.71 per share. For the said price, the dividend is 5.38%. If you invest in Great-West today, the value of your money will double in 13.5 years.

Benefits of dividend reinvestment

Dividend reinvestment can be useful for retirees desiring the non-stop growth of money in their nest eggs. If you spent years saving up for retirement, it wouldn’t hurt to build your retirement savings some more. You might need the extra funds down the road.

Cervus and Great-West are your dividend stock choices if you want to prepare well for retirement. Both stocks pay regular dividends and have DRIPs in place.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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