



Retirees: Give Yourself a \$500/Month Raise (While Protecting OAS Payments)

Description

Who couldn't use a little extra cash during your golden years?

One of the issues tripping up retirees is how to [increase their income](#) while still making sure they maximize benefits promised by the government. It's silly to make extra money just to have it taken away by the feds.

One of the easiest ways to make a little extra tax-free cash is to max out your TFSA and then put that capital into dividend-paying stocks. This alone can add an extra \$500 per month into your wallet, but investors should be careful to only choose stocks with sustainable payouts. After all, no dividend is 100% guaranteed.

Let's take a closer look at one of Canada's top dividend payers, a solid company that should be able to generate gobs of predictable cash flow for your TFSA.

Boring real estate

Slate Retail REIT (TSX:SRT.UN) looks like a pretty boring company on the surface. It owns grocery-anchored retail real estate in medium-sized cities in the United States, places like Charlotte, Atlanta, and Denver. Main tenants drive traffic to the development, which then benefits smaller businesses that also occupy space.

Thanks to a series of acquisitions since the stock's 2015 IPO, the company's portfolio now stands at more than 85 different properties spanning some 11 million square feet of gross leasable space. Certain non-core assets were recently sold off, which frees up capital to be spent towards the company's next expansion wave.

One of the things that immediately stands out about this stock is management's commitment to value. Acquisitions follow a familiar routine. First, the company seeks out assets that trade at below replacement cost. Employees then roll up their sleeves and get to work improving the property so rents can be increased. This leads to an attractive return on investment.

Slate's management focuses on smaller cities for a few different reasons. Firstly, cap rates are higher in these places. A better return on investment is a good thing. These cities also offer excellent growth prospects and much cheaper real estate than the largest centres. And there are fewer buyers looking at these markets.

Thanks to the large emphasis on grocery stores — which are resilient no matter what the underlying economy does — the company's occupancy ratio stands at approximately 95% — an excellent number for retail real estate. Many of Slate's competitors have occupancy ratios in the 90% range, with some even lower.

Finally, we have the dividend, which is a robust 8.9%. Some investors might look at such a payout and immediately declare it to be unsafe, but one look at the underlying numbers says the exact opposite. Slate paid out just 72% of funds from operations during its last quarter, and has maintained a payout ratio in the 70% range for years now. Additionally, the company just announced a dividend increase, a 1.1% hike that will take effect for December's payment. This marks the sixth consecutive year the trust has increased its distribution.

Collect \$500 extra per month

Somebody with even a mid-sized TFSA can leverage the account and Slate Retail shares into a substantial [monthly income stream](#). The best part? Since it's in a TFSA, the payout won't affect any of your government benefits like CPP or OAS.

To collect a \$500 per month dividend from Slate Retail REIT, you'd need to buy 5,320 shares. Shares recently traded hands at \$12.73 each, which means you'd need to invest \$67,723 (excluding commissions or other expenses) into the stock.

That's a little more than the current TFSA contribution room available for first-time contributors, which checks in at \$63,500 assuming you were 18 or older in 2009. But you'd have enough starting January 1, 2020, or even today if your TFSA experienced even modest growth.

The bottom line

Every retiree should be tapping their TFSA for some of that sweet tax-free cash. It's an easy way to increase your income while maximizing your government benefits. That's the basis of a successful retirement right there.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:SGR.UN (Slate Retail REIT)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/09/09

Date Created

2019/11/15

Author

nelsonpsmith

default watermark

default watermark