Retirees: Supplement Your CPP Pension With Stocks Like These in Your TFSA Income Stream

Description

For today's and tomorrow's retirees, it's become vital to look above and beyond the CPP as a source of income in retirement for those who desire a lifestyle that's worth retiring into.

You don't need to delay your retirement to retire comfortably if those CPP payments aren't as generous as you'd hoped. As long as you've got a sizeable TFSA nest egg saved up, you can transform it into a tax-free income stream that will not only prevent you from running out of money in the latter part of your golden years, a massive fear many retirees share, but also continue to grow as you do.

There's no question that retirees of the new age have unique challenges that prior generations didn't have. Heck, you could argue that the retirees back in the good, old days had a free lunch with surging equity prices and high bond yields.

Today, bond yields are close to the lowest they've been in recent memory and are now notoriously unrewarding for retirees who continuously strive to find the optimal balance of investment income and principal risk.

As a retiree, you can't afford to take on as much financial risk as you used to, but that doesn't mean you need to settle for the minuscule 2% yield that your bond fund offers you. Such rock-bottom yields would suggest that most retirees would have to return to work to "safely" get one's retirement income to a level that'd be enough to finance your lifestyle.

Looking beyond bonds

There are ample "bond proxies" out there that can not only deliver higher yields without compromising on the safety front but also substantial capital appreciation and dividend-growth potential.

With bonds, you're getting a fixed coupon that's sure to disappoint most retirees. With certain bond proxies like **Emera** (TSX:EMA), however, you're getting a stable dividend that will be subject to growth, not to mention capital gains will grow your principal over time.

For those unfamiliar with the company, it's a geographically diversified utility engaged in electricity generation, transmission, distribution, among other energy services.

Emera stands out to me because it's a stable cash flow-generative firm that continues to make significant moves to improve the quality and reliability of its operating cash flows. Management is gravitating towards regulated operations as a part of its strategy.

As you may know, a greater magnitude of regulation comes a lower degree of volatility and unwanted surprises, both of which are turn-offs for prospective retirees.

Emera's pivot towards greater regulation has literally paid dividends. And it's this pivot that leads me to believe that the firm could not only continue to post predictable dividend growth moving forward but the potential for gains in a multiple expansion while the firm's asset mix becomes more sought after in an era where bond proxies deserve a more significant premium.

At the time of writing, Emera stock has pulled back 8% from its September high. With a 4.5% dividend yield, I'd say this dip is a must-buy for retirees who are looking to create a second income stream to supplement a pension.

Foolish takeaway

Some say that bond proxies are overvalued.

Given how unrewarding bonds have become, I'd say that the premium in high-quality bond proxies are more than worth the higher price of admission. And for firms like Emera that are bettering themselves, I'd say they ought to be worth a lot more given the increasing demand for stable sources of income.

If you're looking to supplement your CPP, look no further than names like Emera.

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Date
2025/07/03
Date Created
2019/11/19
Author
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