Retirees: 3 Easy Ways to Boost Your CPP Pension

Description

Although retirement programs like the Canada Pension Plan (CPP) and Old Age Security (OAS) are a nice start, you'll likely need additional income to enjoy anything more than a very basic retirement.

The good news is you can easily accomplish this through a number of sources. Folks with a lot of retirement savings can stick to ultra-conservative choices like government bonds or Guaranteed Investment Certificates (GICs). Most of us, however, aren't that lucky. We'll need to mix in other, more risky products into our retirement mix.

Let's take a closer look at three ways you can supplement your own retirement pension.

Covered calls

Let's start with a product many investors likely aren't familiar with, covered calls.

A covered call is a type of trading strategy that emphasizes income over capital gains. Investors go to the option market and sell a call option on a stock they already own, which creates a sell obligation at a certain price on a certain day. This limits upside, but gives an investor greater income today.

In other words, it's perfect for retirees.

Investors can create their own covered call portfolios, but it's often simpler to use an ETF to accomplish the same thing. **Bank of Montreal** has several covered call ETFs, with my favourite being the **BMO Covered Call Utilities ETF**, which owns a basket of top Canadian utility stocks. It then writes covered call trades against these stocks, generating significant income for shareholders.

Capital gains aren't much — shares have crept up approximately 5% this year, underperforming the **TSX Composite Index** — but this fund makes up for that in income. The current yield is 6.3%.

High-yield stocks

A simple way to boost your retirement income is to invest in high-yield securities. You must be careful, however, as a dividend cut is more likely in this part of the market.

One high-yield stock I really like today is **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), the owner of health care real estate around the world. Its assets include medical office buildings in Canada and Europe, hospitals in Brazil and Australia, and senior living facilities in Australia and New Zealand.

The company has been growing like a weed lately primarily by using institutional money to make big splashes. Northwest then takes a minority ownership stake and manages the asset for the primary owners.

It has further organic growth opportunities as its hospital partners open new locations, and it can always expand into new markets, like the United States.

Despite this excellent growth, however, the company pays one of the best dividends you'll find. The current yield is 6.5%. You don't have to worry about the security of the dividend, either. The payout ratio comes to approximately 85% of adjusted funds from operations on a normalized basis.

Dividend growers

If you're a few years away from retirement, then perhaps the best strategy is to buy stocks with a decent yield today with the potential to increase the dividend over time.

Take **BCE Inc.** (TSX:BCE)(NYSE:BCE) for example. I'll be the first to admit the telecom sector isn't a big growth play today. Can you think of anyone who doesn't have a cell phone — or who doesn't have internet at home?

But the company is still able to post steady revenue increases because it raises prices to current customers, branches into related businesses, and makes small periodic acquisitions. And as management is disciplined with these deals, they tend to add to the bottom line.

This translates into solid dividend growth over the long term, just enough to make an already high-yield stock all the more attractive.

BCE's current yield is 5%. Over the last decade, it has nearly doubled its dividend, which translates into roughly 7% annual growth. If BCE can continue that growth rate over the next decade, investors who get in today will be treated to a yield at the cost of 9.8%. And remember: dividend growers offer great protection against one of a retiree's biggest risks — inflation.

The bottom line

With a little research and some savings, you too can increase your retirement pension. Because let’s face it; retirement income of less than $30,000 per year just isn’t going to be enough, yet that’s what you’ll face if you don’t take steps to increase that income today.

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2. TSX:BCE (BCE Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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nelsonpsmith