Retirees: 3 Steps to Boost Your Passive Income

Description

Increasing your passive income in retirement can be a challenging process. Relatively low interest rates over recent years have meant that assets such as cash and bonds, which have historically provided a reliable income for retirees, have lacked appeal.

As such, buying high-yielding dividend shares could prove to be a shrewd move. Moreover, purchasing those companies that offer dividend growth potential could further improve your passive income.

Additionally, focusing your capital on a diverse range of companies may mean there is less chance of loss and greater sustainability. This may lead to a higher overall income in the long run.

High-yield shares

As mentioned, the income returns on a number of mainstream assets have been relatively disappointing over recent years. This trend may continue in the coming years, since risks to the global economic outlook may encourage policymakers to keep interest rates at low levels.

As such, buying high-yielding stocks could be a sound means of quickly improving your income returns. In many cases, they offer high yields due to the uncertain prospects facing the world economy. But through buying stocks that have a track record of paying their dividends, and which offer defensive characteristics, it may be possible to generate a resilient income from the stock market.

Dividend growth

Alongside a high yield, stocks that can offer dividend growth could be highly attractive to retirees. After all, maintaining a real-terms growth rate in income over the long run is of high importance. It means that your spending power could increase year-on-year.

Checking the affordability of a company's dividend could be highly important for income investors. For example, ensuring that its cash flow and net profit easily cover dividend payments could be a shrewd move. If they do, it may be a sign that the company in question can afford a higher shareholder payout without jeopardising its financial strength.

Furthermore, buying shares in companies that have strong earnings growth prospects could lead to a rising passive income. They may be able to pay a large proportion of their increasing bottom line to shareholders each year.

Diversification

Obtaining a resilient and robust passive income in retirement could be made easier through buying a range of dividend shares. Not only does this provide exposure to a variety of industries and geographies to capitalise on growth opportunities, it could produce a more reliable income. A diverse portfolio of shares is less reliant on a small number of companies. Therefore, should a specific business reduce or even cut its dividend payments, a diversified investor may be less negatively impacted.

The end result could be a highly sustainable passive income that grows each year. This may improve your level of financial freedom in retirement, and help you to overcome what continues to be a difficult period for income-seekers due in part to low interest rates.

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