Retirees: Give Yourself a Raise in 2020 With These 3 Dividend Studs

Description

I doubt there are many Canadian retirees that have a problem of too much income.

Even if you don't *need* your investments to generate additional returns, there are still some powerful reasons to look at increasing your passive income. That cash can be used to spoil the grandkids, donate to charity, or simply put back to work into more income-producing assets. The possibilities are endless.

The impact of this plan can be massive. Say you've shopped around and your cash is in the best GIC portfolio imaginable. You get a 3% yield from these investments and you have $1 million invested. That's a total income of $30,000 per year, which is fully taxable. Swapping those assets into stocks that yield 6% would generate $60,000 in income, which would more than double your income, since dividends are taxed at a far more attractive rate.

Let's take a closer look at three possible investments that could change your life.

Chorus Aviation

Chorus Aviation (TSX:CHR) has two separate businesses. The first, which operates regional flights for Air Canada, is a solid performer. It performs well enough, it just doesn't offer much growth. The second business, which buys airplanes and then leases them back to customers around the world, is much more exciting.

Chorus only entered the aircraft leasing business in 2017, using its expertise in regional aviation to focus on that part of the market. It now has customers around the world, helping airlines in South America, Asia, and Africa expand by lessening their capital requirements. Including commitments, Chorus has a leasing portfolio of 131 planes worth more than US$2 billion.

The company currently offers a $0.04 per share monthly dividend, which works out to a 6% yield. The payout is solid, too; Chorus hasn't missed a distribution since its 2006 IPO. The payout ratio might look a little high when compared to net earnings, but it's quite low when compared to cash flow.

Extendicare

We're all getting older, and will likely require some sort of long-term care in the future. Those odds are one major reason why I own **Extendicare** (TSX:EXE) shares.

Extendicare is one of Canada's leaders in the long-term care business, owning and managing more than 100 different locations. It also has a large home health care business, and has recently expanded into retirement residences. The long-term care operations provide steady results – with solid growth potential as the population continues to age – while expansion opportunities in retirement residence provide upside potential.

Shares have been weighed down lately by poor results in the home health division, weakness that should be reversed in 2020 as the company uses technology to make employees more efficient and because it'll exit the business in British Columbia, a region that was pulling down overall results.

The current payout is 5.7%, and the payout ratio is under 80% of adjusted funds from operations. Investors can count on this high yield.

The North West Company

The North West Company (TSX:NWC) owns and operates stores in remote locations in places like the Yukon, Northwest Territories, and Alaska. Customers in these places simply don't have much choice for their groceries, which translates into a pretty solid bottom line.

Results have been somewhat lacklustre lately, weighed down by better earnings in 2018 – thanks to one-time insurance payouts – and weakness in its Giant Tiger chain of stores. The company also took a one-time charge for expenses associated with moving its head office. As a result of these factors, shares are flirting with a 52-week low.

This looks to be a great opportunity for long-term investors to get in. Analysts predict the stock will be approximately 20% higher a year from now, and the sell-off has really boosted the dividend yield. The current payout is 4.8%, and the dividend has been hiked six times since 2011. The payout ratio is fine too, checking in at approximately 75% of earnings.

The bottom line

A mini portfolio of Chorus Aviation, Extendicare, and The North West Company would give investors a combined dividend yield in the 5.5% range, an excellent choice when compared to other income-producing options. So, retirees, what are you waiting for? Make 2020 the year you maximize your income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)
2. TSX:EXE (Extendicare Inc.)
3. TSX:NWC (The North West Company Inc.)

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