CPP Pension Users: Supplement Your CPP With These 2 Dividend Aristocrats

Description

The contribution rate for the Canadian Pension Plan (CPP) has increased from 5.1% to 5.25% this year. The total CPP contribution (employee and employer) has increased from 10.2% of total pensionable earnings in 2019 to 10.5% in 2020.

In 2019, the maximum monthly CPP payment stood at $1,154.8, and the average monthly payment was $679.16, which is hardly enough considering the high cost of living in most Canadian provinces.

The CPP enhancement will continue to rise till 2023 to 5.95% with a combined contribution rate of 11.9%. This suggests the enhancements will replace 33% of an individual's pre-retirement income, up from 25%.

However, retirees will require a second stream of income and can look at these two Canadian companies that have attractive dividend yields.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) is a Canada-based company that develops , owns, and operates power-generation facilities. With a total installed capacity of 2,400 megawatts (MW), TransAlta is one of the top renewable energy companies in North America. It has a portfolio of 40 facilities across solar, wind, gas, and hydro across 10 operating regions.

TransAlta stock has a market cap of $4.32 billion and an enterprise value of $5.26 billion. Though analysts expect sales to fall 1% to $457.2 million in 2019, it is estimated to rise by 5% to $479.97 million in 2020 and touch $497 million in 2021.

With the revenue decline in 2019, the company's earnings are expected to fall 21.7% to $0.72 in 2019 and then gain 8.3% in 2020. TransAlta's five-year earnings growth is estimated at 4.6%.

However, what might excite investors is the stock's forward dividend yield of 5.75%. TransAlta has also increased shareholder wealth in terms of its stock price appreciation. The company went public back in

August 2013 and has gained 63.5% since then.

While capital appreciation is less than impressive, the company has more than doubled its dividend payments. TransAlta is part of a high-growth industry and seems like a solid bet for income investors and retirees.

Exchange Income

Exchange Income (TSX:EIF) is a company focused on the aerospace and aviation space. Its aviation segment provides scheduled airline and charter service as well as emergency medical services to communities located in Manitoba, Ontario, and Nunavut.

The manufacturing business provides manufactured goods and services across North American markets. It has a well-diversified business with over a dozen subsidiary companies. EIF acquires companies with solid cash flows and that have a niche business.

This strategy has ensured company sales have increased from $891 million in 2016 to $1.20 billion in 2018. Analysts expect sales to touch $1.33 billion in 2019 and $1.6 billion in 2021. Its earnings are estimated to grow at an annual rate of 11.4% in the next five years.

EIF stock has returned 51% in the last year and is up 93% in the last five years. Despite its stellar run, the stock is trading at a forward price-to-earnings multiple of 12.7, which is a bargain after accounting for a dividend yield of 5.24%.

Retirees can consider adding these stocks to their portfolios. The two companies have enough room to grow their top line, which will drive the stock price higher, while regular dividend payments will also help to increase wealth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:RNW (TransAlta Renewables)

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