Retirees: Give Yourself a $500/Month Raise With These 3 Dividend Studs

Description

Many retirees turn to GICs or high-interest savings accounts as safe ways to convert their savings into income.

There are a few problems with this approach. Interest rates have been falling for decades now, and getting a 2% yield from a GIC isn't very exciting.

High-interest savings accounts don't pay much more, and the interest rate can be cut at any time. And interest income is fully taxable, meaning that you're looking at a real return in the 1% range if you're in a high tax bracket.

There's a better way, however. Canada's top dividend stocks offer capital appreciation potential, much better yields than GICs, and dividend growth opportunities as underlying earnings go up. Oh — and dividends are taxed at a much better rate than interest. In fact, it's possible to pay zero taxes during your golden years if you focus on dividend income.

Here are three great dividend stocks that can increase your income by $500 per month.

Chartwell Retirement Residences

Chartwell Retirement Residences (TSX:CSH.UN) is the largest owner of retirement real estate in Canada, with a portfolio spanning more than 200 homes with various levels of assisted care, spread over four provinces. This has the potential to be a major growth market as Canada's over nine million baby boomers age.

Shares have been a little weak lately amid the company's struggles with weak occupancy in Ontario and Quebec, two key markets. In its Ontario retirement platform, Chartwell has seen occupancy decrease 2% in the last year, dropping to 83.9%. While the company should be fine in the long term, this is not a good trend.

Chartwell's investment thesis is mostly sound; it's a steady company that delivers solid dividends.

Chartwell's current dividend yield is 4.2% and it's raised the dividend each year since 2015. You can count on this payout over the long-term.

First National

First National Financial (TSX:FN) is Canada's largest non-bank mortgage lender. It has more than $100 billion worth of mortgages under administration, loans arranged through thousands of different mortgage brokers.

The company makes money in a few different ways. It earns money through its own mortgages, via the spread between its borrowing costs and the interest rate charged. It also services loans for institutional investors. And First National has dipped its toe back into the subprime portion of the market.

First National's management team are big investors in the company. Led by CEO and Co-Founder Stephen Smith — who owns 38% of the company himself — First National insiders own more than 75% of available shares. Investors can feel confident that management are just as concerned about long-term share performance as they are.

The company pays a 5.1% yield, a dividend that has been hiked each of the last three years. It also pays periodic special dividends, which are always a nice bonus.

Pembina Pipeline

Over the last 20 years, **Pembina Pipeline** (TSX:PPL) has quietly posted better long-term results than all of its Canadian peers. Including reinvested dividends, the stock grew at a compound annual growth rate of 17.98%, enough to turn a $10,000 original investment into something worth $148,173 today.

How did the company pull it off? It has focused only on growth opportunities that provide stellar returns on investment. The company keeps a low dividend payout ratio, allowing it to self-fund new growth initiatives. And it's an opportunistic acquirer of high-quality assets.

One exciting expansion initiative the company is working on is the Jordan Cove LNG export terminal in Oregon, an asset that will minimize total transport time (and costs) to key Asian markets.

Liquefied natural gas should be a huge opportunity as other regions around the world seek North America's cheap and abundant natural gas.

Pembina pays a $0.21 per share monthly dividend, which works out to a 5% yield. It has also raised the dividend annually since 2012.

Collect $500/month

In order to collect $500 per month from these three stocks, you'd need to make the following investments:

- 3,340 Chartwell shares for a total investment of $47,628

- 1,028 First National shares for a total investment of $39,136
- 796 Pembina Pipeline shares for a total investment of $40,238

In total, that would be an investment of just over $127,000.

While that might seem like a daunting task, the results will be worth it. Your retirement will be considerably easier with great companies like these three on your side.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:FN (First National Financial Corporation)
3. TSX:PPL (Pembina Pipeline Corporation)

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