Retirees: These 3 Pension Plan-Approved Stocks Are Gushing Cash

Description

One of the biggest struggles for many retirees is how to convert their nest egg into cash.

Some default to a more conservative route, choosing to put their cash in GICs and other guaranteed investments. Unfortunately, there are a couple problems with that approach. These products provide crummy yields, and since they pay interest rather than dividends, they're fully taxable.

Others get intimidated by the idea of building a portfolio, so they use actively managed products. There are many ETFs that allow an investor to generate income while only paying a minimal management fee, but some investors are swayed by fancy marketing that leads them into more expensive funds. Paying excessive fees is one of the biggest mistakes long-term investors can make.

An easy way to help investors build their own income portfolios is to steal ideas from top pension plans. After all, these are funds that are built for both long-term performance and superior income generation today. You're in exactly the same boat as these fund members.

Let's take a closer look at three top investments favoured by the Ontario Teachers Pension Plan (OTPP), one of Canada's largest pensions.

H&R REIT

Although OTPP doesn't physically own any **H&R REIT** (TSX:HR.UN) shares, it has built a diverse real estate portfolio consisting of shopping malls, office towers, and even a hotel. H&R's portfolio is a little different — it owns industrial and residential property to go along with its retail and office holdings — but it's a reasonable play for investors looking for exposure to the lucrative real estate market.

H&R is currently focusing on expanding the newest part of its portfolio: residential housing. The company owns nearly 10,000 apartments in the United States and is actively building thousands more. It has just completed a big project in a New York City suburb and has developments in various stages of completion in places like Miami, Seattle, Austin, and San Francisco. It also plans to redevelop some of its Toronto-area commercial properties into mixed-use as well.

H&R shares pay a generous 6.4% yield — a payout that is easily covered by cash flow.

Sienna Senior Living

OTPP is the owner of Baybridge Seniors Housing, which owns high-end retirement homes for wealthier Canadians. We can't invest in that company, since OTPP bought it out years ago. So, we're stuck investing in an alternative, which is **Sienna Senior Living** (TSX:SIA).

This alternative isn't such a bad investment. Led by CEO Lois Cormack, Sienna is one of Canada's leading owners and operators of housing for seniors. The portfolio is split between long-term care and retirement residences, with the former offering plenty of predictable cash flows (and high occupancy), while the latter represents a solid growth opportunity. Remember, there are some nine million Canadian baby boomers who are slowly getting older.

Sienna's key markets — which include Toronto and Vancouver — are projected to need a significant uptick in new supply over the next decade. Sienna has plans to build a number of new homes, especially in Toronto, where demand is expected to be particularly be robust.

And finally, we can't forget Sienna's dividend. The stock pays 4.8% — a payout that should keep marching slowly higher over time.

Intact Financial

OTPP has a major investment in **Intact Financial** (TSX:IFC), Canada's largest property and casualty insurer. It's easy to see why the large pension plan is so bullish.

Intact consistently posts excellent financial results. The company is profitable on an underwriting basis alone, meaning its investment gains are just an added bonus. It also posts excellent return on equity numbers, results that are much better than its competition.

The company has also done a nice job consolidating a fragmented market in Canada, rising to a market share that's more than twice its largest competitor. There's still potential for it to add assets in Canada as well. Intact also recently made an acquisition in the United States, opening up a new potential market there — one that has the possibility of being a lot bigger than the one here at home.

Intact's dividend yield isn't quite as impressive; the stock only pays a 2.2% dividend. Its dividend-growth potential is excellent though, and the company has hiked the dividend each year for a decade.

CATEGORY

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1. TSX:HR.UN (H&R Real Estate Investment Trust)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:SIA (Sienna Senior Living Inc.)

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