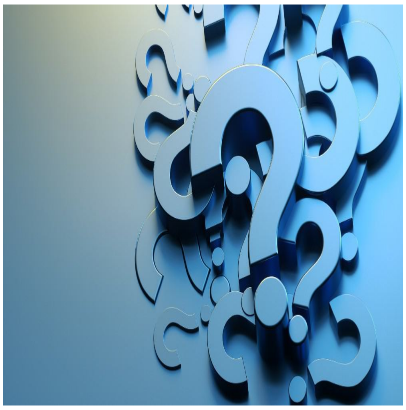

Can You Retire on a $250,000 Dividend Portfolio?

Description

Is it possible to retire on a $250,000 dividend portfolio? In today's market, specific stocks are trading at discounts to their intrinsic values. Thereby, they are also offering above-average dividend yields.

For example, investors can now get juicy yields of 6-8% from large-cap stocks like **Bank of Nova Scotia**, **Manulife**, and **Capital Power**.

One key benefit of having a dividend portfolio is that you're not relying on an exit event (stock sales) to get a return on your investments. The ideal scenario is that you can withdraw dividends for your income needs while leaving the principal intact.

This is very powerful. It means you can pretty much collect passive income forever from your dividend portfolio.

Can you retire on a $250,000 dividend portfolio?

Whether you can retire on a $250,000 dividend portfolio depends on multiple factors. Consider these questions for your unique situation.

How much income do you need each year? Divide that amount by 12 for the monthly income. You should include costs like housing, food, healthcare, transportation, clothing, entertainment, vacation, etc.

A $250,000 investment portfolio can generate income of $15,000-$20,000 based on a 6-8% yield. That's a nice income. But you'll need to complement that amount with other kinds of income.

How much income will you get from alternative sources? Alternative income can come from Canada Pension Plan (CPP), a company pension, Old Age Security (OAS), and Guaranteed Income Supplement (GIS).

Currently, the maximum OAS monthly payment is $613.53. For 2020, Canadians with a net income of

$79,054 or higher will experience an OAS clawback. The GIS payment can add up to $551.63, or $916.38 of income per month. The actual amount of OAS and GIS monthly payments you'll receive depends on your unique situation.

What are the risks in your dividend portfolio?

If you're maximizing income in your dividend portfolio, you'll have concentration risk in high-yield stocks.

Certain areas of real estate investment trusts (REITs) provide high yields. However, they experienced massive drawdowns in the COVID-19 selloff. These include **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) and **SmartCentres REIT** (TSX:SRU.UN) whose stocks declined as much as 60% and 50%, respectively, in the recent market crash.

However, if investors were able to pick up their shares on the cheap, they could have locked in yields as high as 19% and 12%, respectively. Buying the stocks at those ridiculously high yields required a tremendous amount of luck and courage, though.

So far, both stocks have kept their dividends steady. Today, they still offer above-average yields of about 12% and 8.6%, respectively.

As these stocks are hit hard, the market is suggesting that their yields could be cut. Depending on the development of the COVID-19 situation, the yields may or may not be sustainable. That said, I expect both REITs to always pay some sort of yield and will not eliminate their dividends.

In summary, if investors have their dividend portfolios maximizing income, they could have dividend cuts or huge drawdowns at one point as stocks in the same industries tend to behave similarly. After all, stocks in the same industries are subject to similar risks.

The Foolish takeaway

You may or may not be able to retire on a $250,000 dividend portfolio. You'll need to estimate your annual income needs and annual income generation based on your dividend portfolio and alternative income sources. A qualified financial advisor will be able to help if the math gets too complicated.

For your dividend portfolio, beware of the risks of dividend cuts and huge drawdowns from holding stocks in the same industries. If that industry gets hit for whatever reason, huge drawdowns will occur and dividend cuts could happen.

Generally, companies that increase their dividends are safer investments. All the stocks mentioned in this article have increased their dividends every year for at least the past five years. Typically, it's safer to invest in dividend stocks that have a relatively low payout ratio and relatively high dividend growth against their peers.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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4. Newscred
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kayng