



Retirees: Create Your Own Pension With These 3 Investments

Description

It's not advisable to depend solely on your CPP (Canada Pension Plan) and Old Age Security (OAS) to lead a comfortable life in retirement. The maximum CPP payout for a 65-year old is \$14,109.96 per year. This figure for OAS beneficiaries stands at just over \$7,200. Clearly, retirees will need another passive income stream to support these pension payouts.

At a time when interest rates are nearing record lows, investing in quality dividend stocks appears to be attractive for income investors. The CPP Investment Board (CPPIB) also invests in dividend stocks. Here, we look at three top holdings of the CPPIB that investors can consider right now.

CPPIB has an exposure of \$1.72 billion to WSP Global

CPPIB's [largest investment in Canadian equities](#) is **WSP Global Inc. (TSX:WSP)**. The CPPIB owns 21.06 million shares in WSP worth \$1.72 billion. Given, WSP's market cap of \$8.71 billion, the CPPIB has a 20% stake in the company.

WSP is a Canada-based management and consultancy company. This stock is currently trading at \$81.9 which is 16% below its 52-week high. Earlier this month, WSP announced its intention to raise \$437 million via a public offering. It will sell over 5.08 million shares to a group of underwriters at a price of \$86 per share and raise \$437 million in this process.

Further, WSP has agreed to a private placement of its common shares to the Caisse de dépôt et placement du Québec worth \$44 million. It will sell \$20 million worth of equity to the CPPIB in another private placement. This means the company [will raise a total of](#) \$501 million.

These proceeds will be used for general corporate purposes as well as fund acquisitions. Last year, WSP acquired eight companies across North America, Europe, South America, and Australia. Its focus on inorganic growth will help WSP drive revenue quickly over the next decade.

CPPIB has invested \$552 million in Canadian Natural Resources

As of March 31, 2020, the **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is the second-largest Canadian company in CPPIB's portfolio. The CPPIB has 23.69 CNQ shares worth \$552 million. Despite the recent weakness in the oil and energy segment, Canadian Natural Resources remains a quality stock.

CNQ has a stock price of \$23.33 which is 45% below its 52-week high. This pullback has increased its dividend yield to a tasty 7.3%. CNQ investors have lost over 50% in market value since July 2018. But this also provides prospective investors to buy a top company at a lower valuation.

Canadian Natural Resources has a resilient asset base and enough liquidity to tide over the ongoing market uncertainty. It ended Q1 with \$5 billion in liquidity and a cash balance of \$1.1 billion. Despite falling oil prices, CNQ reported positive free cash flow and did not cut its dividends.

CNQ stock has rebounded over 100% since March and can move higher in case oil prices recover in the second half of 2020.

A Canadian banking giant

CPPIB has 3.8 million shares of **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) worth \$220 million. The banking giant is the third-largest CPPIB holding. BNS stock is trading on the **TSX** at a price of \$57.03, which is 25% below its 52-week high.

BNS stock has a forward yield of 6.3%, making it attractive for income investors. It is one of the top five Canadian banks with a huge market presence in North America. Similar to other banks, analysts expect BNS earnings to fall by 30% this year. There is also the risk of rising defaults given Canada's high unemployment rate of 13.7%.

During its fiscal second quarter of 2020 earnings call, BNS stated that requests for payment deferrals peaked in the first week of April in Canada. It also confirmed that consumer spending levels as measured by daily debit and credit card spending have returned to pre-COVID-19 levels.

The Foolish takeaway

Markets are expected to remain volatile in the next few months. But owning quality dividend stocks can help you create a secondary income source. If you invest \$20,000 each in these three TSX stocks owned by the CPPIB, you can generate over \$3,050 in annual dividend income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:WSP (WSP Global)

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