CRA Aid Not Enough? Do This to Increase Your Income

Description

The COVID-19 pandemic has reduced many Canadians' income and affected countless families. The CRA is providing financial support and benefits through the CERB, CEWS, CESB, etc. that apply to workers, students, children, seniors, and businesses.

If these still aren't enough, you can do this to increase your income.

Get income from utility stocks

The Canadian utility exchange-traded fund (ETF) **iShares S&P/TSX Capped Utilities Index ETF**, which trades with the ticker XUT on the **TSX**, offers a monthly dividend that yields about 3.3%.

Utilities are perfect for Canadians seeking income. They generate resilient profits in an economic downturn. Combined with sustainable payout ratios, their dividends are secure.

If you don't mind owning individual utility stocks, you can get an even bigger income. At writing, **Fortis** yields 3.5%, **Brookfield Infrastructure Partners** yields 4.4%, and **Algonquin** yields 4.7%.

All three stocks are some of the largest holdings in the XUT ETF. Moreover, they can deliver stable growth of about 6% per year over the next few years. That should lead to a dividend-growth rate of about 6% and total returns of about 10% per year.

Buy the big Canadian bank stocks for income

Big Canadian bank stocks are core holdings in many dividend stock portfolios. They're down this year but not out of the game. In fact, they already recovered much of the lost grounds from the March market crash.

Keep in mind that the economy is still in shaky grounds, but the government is keeping it afloat with fiscal policies. So, go with the biggest bank, **Royal Bank of Canada** (TSX:RY)(NYSE:RY), if you're not too confident about the economic condition.

RBC stock is driven by a diversified business mix. It sources about half of its earnings from personal and commercial banking, 21% from wealth management, 19% from capital markets, and 7% from insurance. It's also geographically diversified, sourcing roughly 61% of its revenue from Canada, 23% from the U.S., and 16% elsewhere.

Royal Bank aims to grow its earnings per share by more than 7% per year over the next three to five years. As well, it expects its return on equity and dividend-payout ratio to normalize to about 16% and 40-50%, respectively. Its dividend yield of 4.5%, at writing, should be safe.

Invest in REIT stocks for big dividend yields

If you don't believe malls and office towers are going to be obsolete, you can consider **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) for income.

There's more to Brookfield Property stock than just income, though! The high-yield stock has taken a beating this year due to COVID-19 disruptions.

Despite a strong rally of 60% from the March market crash low, the real estate stock is still down 40% from its normal levels. This implies that there's upside potential of close to 70%.

Brookfield Property has always prepared for economic downturns. It funds its business almost exclusively with asset-level, non-recourse financing with an average term to maturity of over five years and virtually no financial covenants.

The real estate company reported profits of US$323 million in Q1, while it paid out US$318 million in dividends. So, its Q1 payout ratio was 98%.

Notably, it managed to end Q1 with strong liquidity of US$7.2 billion, including US$1.8 billion of cash on hand, US$3.7 billion of credit facilities, and US$1.7 billion of undrawn construction facilities.

Therefore, BPY has been maintaining its massive dividend throughout this stressful period. Because the stock is still very cheap, it currently yields 11.9%.

Should the economy normalize over time, BPY can deliver awesome upside and mouth-watering income throughout.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)

2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:RY (Royal Bank of Canada)

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