



Don't Retire on OAS and CPP Pension Payments Alone: Do This Instead

Description

Unless you're willing to retire in frugality in the distant suburbs, it's probably not a good idea to retire on just OAS and CPP pension payments alone. You could dig into your retirement nest egg to cover monthly living expenses that exceed your pension payments, but you'd run the risk of running out of money in the middle of retirement.

Life expectancy is on the rise, and the threat of higher inflation as a result of the unprecedented monetary stimuli could stand to erode one's wealth. Add near-zero interest rates into the equation, and the case for investing in your own income stream has never been [stronger](#).

Forget relying on just OAS and CPP pension payments: Supplement your monthly income with REITs

Instead of spending cash that's essentially guaranteed to lose purchasing power every year, consider putting money to work in some of today's [wonderful high-yield securities](#), many of which are undervalued after the recent COVID-19 sell-off. This piece will have a look at two compelling securities that retired investors may want to consider as a part of a monthly income stream to supplement OAS and CPP pension payments.

While the following securities will be subject to volatility, they will help retirees fend off the insidious effects of inflation, allowing one to preserve and build your wealth over time. Without further ado, consider **CT REIT** ([TSX:CRT.UN](#)) and **SmartCentres REIT** ([TSX:SRU.UN](#)), two high-quality real estate plays that currently sport distribution yields of 5.8% and 8.9%, respectively.

Both REITs have been on the receiving end of the coronavirus-driven crash and allow retirees a chance to lock-in a higher yield alongside the potential for outsized capital gains, as they recover from this unprecedented crisis.

CT REIT

CT REIT is one of the most resilient REITs to own amid the COVID-19 pandemic. With around 92% of revenues derived from **Canadian Tire**, a robust retailer with a rock-solid liquidity position, CT REIT is a terrific income-savvy way to ride on the strength of Canadian Tire's balance sheet.

Even if we're due for another few rounds of COVID-19-induced shutdowns, I find it extremely unlikely that Canadian Tire will be at risk of deferring a month's rent. Canadian Tire's operating cash flow stream may be subject to volatility in the event of such shutdowns, but its padded liquidity position is so strong that CT REIT is unlikely to notice the volatility faced by its top tenant.

CT REIT's rent collection rate held strong in the first half of the year, and it's since rebounded above the 98% mark. As the economy inches closed towards normalcy, CT REIT is in a spot to recover faster than most other retail-centric Canadian REITs out there. On August 4, CT REIT increased its distribution by 2%. The hike speaks to the REIT's resilience, and I think pensioners looking to supplement OAS and CPP income ought to consider scooping up shares today.

SmartCentres REIT

For pensioners looking for more yield, SmartCentres REIT is a terrific pick at today's levels. SmartCentres, like CT REIT, benefits from exposure to a highly liquid retailer that's unlikely to ask for a rent deferral. Approximately 25% of SmartCentre's revenues are derived from **Walmart**, which is an essential retailer that will keep its doors open, even if another round of COVID-19-induced shutdowns were to happen. The remainder of Smart's tenant base is comprised of high-quality retailers that aren't going belly up anytime soon.

If you're of the belief that a vaccine will arrive over the next year, SmartCentres is a must-buy. The nearly 9%-yielding distribution is likely to survive, and the shares could correct to the upside very sharply over the next two years.

With a lucrative multi-year plan to diversify into mixed-use properties, I don't think SmartCentres REIT will remain at these depths for a prolonged period of time, so I'd encourage OAS and CPP pensioners to consider nibbling on shares today.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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