Retirees: Looking to Supplement Your CPP? Here's How You Can Add $500 in Monthly Tax-Free Income

Description

Canada Pension Plan payments aren't a whole lot to live off of during your retirement years. If you're retired and looking for ways to boost your monthly income, investing in dividend stocks can be a great way to do just that. Some income-generating stocks pay dividends on a monthly basis, and they can help you live a little easier. Rather than burning through your savings, you can use it to invest in a dividend stock. Not only will you earn a recurring dividend, but if your investment rises in value, you can even turn a profit should you decide to sell it. It's potentially a much better option than chipping away at your nest egg.

default watermark

A REIT with a top yield

A great option for investors looking for dividend income is to invest in real estate investment trusts (REITs). Many of them are struggling this year due to the markets and concerns around the collection of rent payments. But one of the larger, and more stable REITs you can invest in is **RioCan Real Estate Investment Trust** (TSX:REI.UN).

Some of the top Canadian retailers are RioCan's tenants, including big names like **Bed Bath & Beyond**, **Best Buy**, **Canadian Tire**, **Costco**, and many others. They're among the more stable retail tenants a REIT could have. While there's always going to be risk, especially when business might get shut down due to COVID-19, RioCan has proven to be stable thus far. On July 29, the company released its second-quarter results for the period ending June 30, and it was able to collect 86.8% of its quarterly rent for the period, which included deferrals and funding that it expects to receive from the government.

Q2 was a hard period for RioCan and the economy as a whole, as many businesses were shut down during that time, and the REIT's ability to still produce decent numbers is a testament to the strength of its business. As bad as of a quarter as it was, RioCan's funds from operations (FFO) per unit was still positive at $0.35 — down from $0.48 in the same period last year. Future quarters should look better, especially with businesses back up and running, and the economy slowly recovering from what was a dreadful quarter.

Investing in RioCan today's a calculated risk, but it's one that can pay off significantly. Shares of the company are down more than 40% this year, and that's why its yield is astronomical, paying investors roughly 9.6% annually. To earn $500 in monthly income, you'd need to invest $62,500. Theoretically, that would be possible to do inside of a Tax-Free Savings Account (TFSA), where the cumulative limit today is $69,500 if you've never invested in it and been eligible every year for the account. And that would make the dividend income you earn tax-free.

Many other options to choose from

RioCan is a great option, but it is also isn't the only one. You could diversify and invest in other stocks to help bring down your overall risk. RioCan is just one example of a dividend stock that you could use for the purpose of generating monthly income. Ultimately, you'll need to determine what level of risk you're comfortable with, as you may prefer a REIT that has less exposure to retail than RioCan, or invest in multiple stocks to ensure all your eggs aren't all in one basket.

default watermark

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2020/09/06

Author
djagielski

default watermark

default watermark