CPP Pensioners: How to Give Yourself a Passive Income Jolt

Description

CPP pensioners may find themselves digging into their retirement nest egg to cover the ever-increasing life expenses that pension payments can't meet. If you've opted to retire and receive pension payments sooner rather than later, it's in your best interest to invest your nest egg in sustainable passive income securities, so you reduce the risk of running out money at some point down the road.

You've probably heard your financial advisor telling you always to spend the interest (or dividends) and not the principal if you can help it. Given that life expectancies (and costs of living) are on the rise, the all-too-common retiree fear of running out of money in the middle of retirement is a real one.

As such, retirees should not check out of the investing world just because they've hung up the skates of the labour force. Why? Fixed-income securities are nowhere near as bountiful as they once were. With the COVID-19 crisis causing interest rates to remain at near-zero levels for longer, bonds and savings just no longer make sense to hoard, even for risk-averse retirees who can't afford to take much risk.

CPP pensioners should invest wisely in income-paying securities to supplement their passive income

The current pandemic-plagued environment leaves many CPP pensioners and retirees between a rock and a hard place. Fortunately, there are absurdly cheap income-paying securities out there today that are multitudes lower than where they were before the pandemic battered the stock market.

Many real estate investment trusts (REITs) are trading at a fraction of last year's prices, with high yields that can help retirees and CPP pensioners start a sustainable and relatively secure passive income stream. If you've been contributing to your Tax-Free Savings Account (TFSA) every year and are hoarding cash, the good news if you can give your pension-based income stream a considerable jolt with select hard-hit REITs buried beneath wreckage.

Riding on the coattails of a highly-liquid firm

One top play that retirees should consider is **CT REIT** (TSX:CRT.UN), a Steady Eddie REIT that indirectly benefits from the solid liquidity position of its number one client in **Canadian Tire**. While Canadian Tire is a traditional brick-and-mortar retailer that will feel the pressure in the second wave of COVID-19 cases, which may or may not spark another round of lockdowns, the retailer's balance sheet is so strong that I don't see the firm missing a month's rent, even in a worst-case scenario.

Moreover, Canadian Tire's operating cash flows are far more robust than most give it credit for, thanks to its ever-improving e-commerce platform, which will keep the company buoyed in a second or third wave of COVID-19 outbreaks.

CT REIT sports a 5.8% distribution yield at the time of writing. As the second wave worsens, CRT.UN could fall under additional pressure, and that's precisely when CPP pensioners should pounce on shares. The REIT was nearing normalized rent collection in recent months.

Should the second wave worsen, this could change, but given the REIT has a far more resilient cash flow stream than most other retail REITs out there, I'd say any second-wave-related damage to the name is likely to be muted and unwarranted.

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Date
2025/08/21

Date Created
2020/10/01
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