Retirees: Fortify Your Portfolio by Building a 2nd Pension

Description

Most Canadian retirees have two sources of income: government-issued pensions (CPP and OAS) and any savings they might have. There is only so much one can do to increase the size of the CPP and OAS pensions. And the savings usually have to fill the gap.

However, cashing in your retirement savings to meet your regular expenses can deplete them at a faster rate, which may put you at the risk of financial destitution in your late years. One way around it is to fortify the retirement portfolio with dividend stocks. You can earn an income without depleting your savings, and if you choose the right dividend payers, you can grow your retirement savings over time.

A telecom giant

BCE ([TSX:BCE](#))([NYSE:BCE](#)), the leader of the telecom sector in Canada (by market cap), offers a healthy combination of modest, long-term capital appreciation and modestly high dividends. Currently, it's offering a yield of about 5.8%. It's a well-established aristocrat and has grown its payouts by about 21.8% since 2018.

As for the capital-appreciation angle, the company has grown its market value by about 51% in the last decade, though the number is skewed by the current 14% decline. The collective return potential, however, is quite significant enough.

And it's a safe enough bet, thanks to its status as an established industry leader. This makes it an ideal candidate for helping retirees start a sizeable enough passive income to augment their pensions.

A growth-oriented REIT

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If capital appreciation is more important to you than the yield, **Granite REIT** ([TSX:GRT.UN](#)) offers the right mix. The REIT is currently offering a healthy 3.9% yield, which is only as high as it is, thanks to the 25% discount the stock has experienced from its Dec. 2021 peak. But what the REIT loses in dividends, it more than makes up for in its capital-appreciation potential.

Despite the current slump, the 10-year price appreciation was over 120%, which averaged out and made up for 12% a year of growth.

So, if you invest in this REIT as a retiree, not only will you get a decent dividend income (with monthly payouts), but you will also grow the capital tied to this stock instead of depleting it over time. And the growth rate is powerful enough to leave the impact of inflation behind in the dust.

A high-yield financial company

Another combination that you can have in your retirement portfolio is high yield and capital preservation. While the track record of **Timbercreek Financial** ([TSX:TF](#)) has been far from perfect, especially since the 2020 crash, the stock has shown decent resilience. And in the long term, it might be stable enough to preserve your capital with the onus of return falling on dividends alone.

And the dividend is an area where Timbercreek Financial shines. Its dividend is usually quite generous, but it is even more attractive now that the stock is trading at a 17.8% discount from its last peak. The current yield is a whopping 8.4%, which is enough to create a monthly passive income comparable to CPP or OAS pension *if* you can divert enough funds to this investment.

Foolish takeaway

The [TFSA vs. RRSP](#) debate is quite common when you are preparing your retirement portfolio. And even though the TFSA is a no-brainer choice if you plan to convert your retirement nest egg into a dividend income-producing portfolio, that's not where the bulk of your retirement savings might be. But with the right planning, you *can* add another pension source without adding too much tax burden.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)
4. TSX:TF (Timbercreek Financial Corporation)

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