

Income strategies for an uncertain market

Every investor can benefit from having income-generating investments in his or her portfolio. Especially in today's challenging environment, these holdings can add stability, as well as a source of regular payouts while you wait for the markets to improve.

But it is not enough to simply add more income investments to your portfolio. In fact, making significant changes to your asset mix without integrating them into a strategic investment plan can result in imbalances and affect long-term returns.

It's key to have a plan for the income portion of your portfolio that takes into account your investment objectives, timelines, and risk tolerance, while balancing immediate needs for income with your longer-term need for growth. The good news is that today's market offers a number of ways to structure your portfolio with investments that offer both high-yielding income opportunities and good longer-term growth prospects.

Opportunities in today's market

If you are looking for growth opportunities that will pay you to wait until stock markets recover, higher-yielding dividend-paying stocks may be worth considering. Indeed, the stocks of some solid, well-capitalized companies have fallen with the markets, raising their dividend yields to historic highs. These companies also offer the potential for capital gains, as strong well-capitalized companies are often among the first to recover.

Keep in mind, however, that higher yields can be a signal that the market perceives higher risk, and dividend reductions and cancellations have occurred. Advice is crucial when investing in this area, in order to ensure that the dividends are sustainable.

Income trusts and preferred shares


Income trusts can also offer attractive yields. Research and expert advice are especially valuable in order to assess the sustainability of payouts. As well, it's important to evaluate each company's future following the imposition of corporate taxes in 2011.

Preferred shares have also attracted increased attention in recent months, as investors look for high yields with a lower risk element. While they tend to offer less upside potential than common shares, at recent values they offer a good source of tax-advantaged income, with some capital gains potential.

A laddered approach with bonds

To balance these growth-oriented holdings, investors seeking security and income may consider adding to their bond holdings. An allocation to government bonds is always useful as a secure holding and a source of income. However, attractive yields have appeared in high-quality corporate bonds, which also offer potential for future appreciation as the market regains confidence.





For those looking to use a portfolio of bonds as a core holding, a bond ladder may be a timely strategy to deal with interest-rate fluctuations. With a laddered portfolio, instead of investing, say, \$100,000 in one bond, you could invest \$20,000 in five bonds that mature over two, three, five, seven, and 10 years. When each bond matures, it could then be rolled over into a new 10-year product. While adding income to your portfolio offers a backstop against uncertain markets, the key to maintaining an effective portfolio is to strike a balance that makes sense in the context of your overall financial situation. Even for investors nearing retirement, some growth is necessary to maximize the life of your investment savings.

We can help you fine-tune your investment strategy and achieve the right mix of growth and income for you.

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