4 SURE-FIRE WAYS TO BOOST YOUR INVESTMENT INCOME

Everyone knows interest rates have been low for some time. Recently, it looked like rate hikes were going to be the norm, however, that policy appears stalled due to decisions by central banks. With slowing economic growth, there's even new discussion of falling rates. What is an investor to do?

Well, there are some proven and effective methods to increase income without taking on a lot of risk. Many people have experience with mortgages, esp when buying their first home. Commercial property buyers, both new and experienced are no different. There are corporations set up to attract investors for the purpose of funding commercial mortgages – these are called Mortgage Investment Corporations or "MIC's". Companies like Timbercreek Financial, TREZ Financial and some mutual funds do the same thing. The common thread amongst these investment choices is a relatively stable share or unit price along with consistent high income to investors – in the 6 to 8% range. For accredited investors, there are some private investments that are similar whose track records prove very stable with similar yields. Regardless, these investments are not "locked in" like a GIC 's or term deposits.

Public and Private Real Estate Investment Trusts (REIT's) provide an opportunity to own real assets along with income from rental operations and potential appreciation over time. The Exchange Traded Fund (ETF) landscape has several very good choices in XRE, RIT as do private ones, such as Centurion Apartment REIT, RISE Properties and Equiton Residential Income Fund. Yields are predictable and typically 6-8% annually.

Alternative Credit Strategy Investments focus on pure credit plays and substantially remove interest rate risk. Structured Credit Strategies such as Qwest Productivity Media utilize lending through fully collateralized assignment of government tax credits. Returns have been about 6% annualized.

Preferred shares are an attractive income investment for many, however there are two sides to dividend income. First is the necessary "dividend gross up" for net income reporting. The gross up effectively turns $1,000 of actual dividends received into $1,380 of taxable dividend income reported which can be detrimental for those in retirement. This is because it enhances or inflates net income which is the determinant factor for Old Age Security clawback. The second part, the offsetting tax credit appears afterwards on your Schedule 1 tax calculation. It is here that you gain some tax reduction.

Michael Prittie, CFP, CIM FCSI, CIWM is a Portfolio Manager and Branch Manager with Mandeville Private Client Inc/Capital Wealth Architects in Ottawa.

Regardless of your choice, if your concern is building an income portfolio, a slowing economy or simply to rebalance an overweight equity portfolio, there are a number of ways to do this and earn superior returns than through the ubiquitous GIC or standard mutual fund or ETF which invests solely in government or corporate bonds.

One last point on investment income - when structuring portfolios, it can pay to consider the tax implications. Depending on your situation, you may be further ahead placing your income investment purchases inside your TFSA and RRSP where it is not taxed.