Approaching Retirement? Here Are 3 Stocks Transitioning From Growth to Value

Description

For many young investors, buying a security can be an exhilarating experience, as the potential to grow with a younger company over many years can be very profitable. The challenge faced by many approaching the age of retirement is finding securities that will work today (while building wealth) and that will fit into the portfolio during retirement.

A stock which has experienced a significant amount of growth in the recent past are shares of Montreal-based **Saputo Inc.** (TSX:SAP), which has seen earnings increase at a rate of more than 11% per year over the past four years. In turn, the valuation has also become more reasonable as shares of this company now trade at a trailing price-to-earnings (P/E) multiple of only 23 times. Additionally, the dividends paid have increased steadily.

For investors about to retire, Saputo may have a very long runway, as the company continues to grow at an above-average rate, while becoming a dividend champion over time.

For investors seeking a younger growth company, shares of **Dollarama Inc.** (TSX:DOL) may be the best alternative. The company, which operates on a national scale, has been growing net earnings at a rate of 21% over the past four fiscal years. The company is more than halfway to reaching the goal of having 1,800 stores from coast to coast. Although the dividend yield is currently minuscule, patient investors along for the ride will have the opportunity to experience growth in their capital as earnings increase and the dividend-payout ratio increases from its current 10.5% of earnings.

The last stock for investors on the cusp of retirement to consider are shares of U.S. farming retailer **Tractor Supply Company** (NASDAQ:TSCO). At a price of US$62 per share, it offers investors a dividend yield of almost 2%. The company operates a number of retail outlets in farming communities and sells almost everything needed by farmers. In spite of most retail stocks getting creamed over the past five years or so, this is one name that online retailing will only have a minor effect on.

Following a recent pullback, investors have the opportunity to purchase shares in this low-risk company just as the share price breaks out above the 50-day simple moving average. Over the past four years, the company has increased top-line revenues at a rate of 9.5%, while increasing the bottom line at a rate of 10%. As the company continues to expand, the economies of scale continue to be realized in this difficult environment.

What makes this GARP (growth at a reasonable price) security attractive is that in spite of growing at a very high rate, the company has still been able to invest significantly more money in long-term capital assets in addition to returning money to shareholders through a share buyback. The total dividends paid are still only the tip of the iceberg.

With a number of excellent options to choose from, older investors have the opportunity to make an investment which will transition into the next phase of life along with them.

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