



Retirees: Can I Interest You in a 6.1% Yield to Go With a Margin of Safety?

Description

As a retiree, you should look to buy shares that trade at considerable discounts to their intrinsic value. Doing so will provide you with a more significant margin of safety, which will limit your downside should the bull market find itself on life support. We're in the latter stages of the most extended bull market in history, so it naturally makes sense to gravitate toward higher-yielding defensive favourites.

Over the past year though, the high yields of such defensive securities have lost their lustre with the average investor as interest rates continuing their move higher. Sure, higher rates mean that today's [higher upfront yields](#) are less valuable, but retirees need to remember that they don't have the same options that a younger investor may have. A retiree cannot simply dump a safe, higher-yielder to seek a greater risk/reward trade-off with a more cyclical security, especially at the tail end of one of the longest bull runs in history.

The investment environment is tough for retirees given the trajectory of interest rates, but if you're a Foolish retiree, you don't have to let your portfolio take a hit to the chin. Instead, you can choose to take a contrarian approach by buying shares of your favourite income-paying stocks after they've fallen by a significant amount due to macroeconomic fears.

Consider **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)), a 6.1% yielding limited partnership that owns sound renewable power assets. The company is the epitome of a retiree-friendly [ESG investment](#) that can make you rich through handsome distributions in a safe and environmentally responsible manner.

At the time of writing, the stock is down over 6% from all-time highs, and after a mediocre Q2 2018 quarter, there are many reasons to believe that overly pessimistic sentiment has made way to a compelling buying opportunity for retirees looking to bolster their income streams.

While hydroelectric results were a disappointment, there are reasons to believe that the company can bounce back as it looks to grow its FFO through M&A opportunities that are possible thanks to its flexible capital structure.

The stock trades at a 2.0 P/S and a 6.0 P/CF, both of which are lower than the company's five-year

historical average multiples of 3.2, and 8.2, respectively. Brookfield Renewables is a cash cow that's capable of rewarding shareholders with a fat distribution while simultaneously investing in growth that will stand to fuel many more distribution increases for years to come.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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