# Fund Your Future With This Income-Rich Retirement Company

## Description

Baby boomers are aging. A massive portion of our population has started moving into the sunshine years. These individuals are either already, or soon will be, making use of medical facilities, health products, and retirement homes. **Chartwell Retirement Residences** (TSX:CSH.UN) is perfectly positioned to meet the needs of the boomers during this period of their lives.



Chartwell is now completely Canada-focused after selling its U.S. business a few years ago. The proceeds allowed the company to pay down some of its debt, but as a company with significant real estate investments, it still has a significant amount of leverage on the books. Its debt is staggered over a long time period, though, without much due in any single year. Also, its clientele often commits for long periods of time, so the company's income is fairly steady.

Chartwell increased revenue by almost 10% in Q2 2018 as compared to the same period the previous year. Total funds from operations increased by over 16% during the same period. In general, the company has demonstrated steady growth for several years, following the growth in the aging baby boomer generation. If its estimates of an aging population are correct, there should be plenty of growth yet to come.

As an income trust, Chartwell pays a distribution rather than a dividend. This is important to remember due to the tax implications of the payout. This is not an eligible dividend for tax purposes and is therefore taxed at the full rate — the same as interest from other sources such as GICs and bonds. For this reason, it may be worth holding this company within a registered account like an RRSP, RESP, or TFSA.

Currently, Chartwell pays a distribution of just under 4%, with the yield appearing smaller due to the capital appreciation the stock has experienced over time. The company believes that the distribution is sustainable and even increased it by 2.1% earlier this year. Chartwell has increased the distribution steadily over time and should continue to do so as its profitability increases.

The biggest issue with Chartwell is centered around its debt. The company owns and acquires a large amount of real estate on which to build and operate its retirement facilities. While large amounts of debt are not uncommon with real estate-related companies, investors still need to be aware of the leverage used in the operation of these companies.

Another potential negative for investors to be aware of is the implications of its domestic focus. Since Chartwell is focused on Canadian seniors, it does not have a great deal of geographic diversification. It is entirely dependent on the aging Canadian population, so its growth may be somewhat limited compared to larger retirement services. That being said, focusing on Canadians simplifies the company's structure, since it only has to manage one jurisdiction and deal with one currency.

Chartwell gives investors a dedicated way to participate in the revenues generated from an aging population. The recent pullback provides investors with a good entry point for buying the stock. With its growing distribution and solid demographic fundamentals, Chartwell would make an excellent addition to an investor's income portfolio, especially when held in a registered account.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:CSH.UN (Chartwell Retirement Residences)



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