Retirees: This 9%-Yielding Monthly Income Stock Is the Timeliest Buy This November!

Description

Many retirees are probably feeling confused, uncertain or downright gloomy over the implications of the rising interest rate environment on their retirement investments. Most may be aware that higher rates make their retirement portfolio's income stream worth less in the grander scheme of things, but what they may not know is that a rising rate environment may actually be a double-edged sword.

And with the proper strategy, a retiree can tilt the seemingly unfortunate macro environment in their favour without drastic alterations to their original retirement goals.

While it's true that today's 4% yield isn't worth as much as a 4% yield back when interest rates were hovering near the floor, it's also true that high-payout securities have adjusted by falling in price such that their upfront yields are higher to account for their lack of longer-term lustre.

So, with that in mind, retirees should continue to stick with high-yielding securities and keep an eye out for mega-high-yielders, which may not be as hideous as they seem given the broader sell-off in high-yielding names.

Can I interest you in a slice of this near-10% yielder?

"Is a 10% yield ever safe?" was a question fellow Fool contributor David Jagielski posed to investors as **Pizza Pizza Royalty** (TSX:PZA)'s yield neared the infamous double-digit milestone.

The answer to his question depends partially on the state of the macro environment. With interest rates stuck below the 1% mark, 10% yields would have been fewer and farther between — and a near guarantee of an imminent dividend cut.

Today, with interest rates soaring, however, we've begun noticing many more +10% yielders flying around the TSX index, and not all of them appear in dire need of an immediate payout cut or reduction.

In the case of Pizza Pizza Royalty, investors continue to receive 100% of the company's free cash flow as per usual. Now, that's a ridiculously high payout with no wiggle room, but in theory, it is possible for Pizza Pizza to continue to sustain such a payout that's at its ceiling, as management moves to get their affairs in order.

What's going on under the hood?

At the time of writing, Pizza Pizza stock is down 53% from its 2017 high. The company recently reported encouraging third quarter results, which saw profits fall to decline by a penny on a year-over-year basis as same-store sale declines were dampened to 0.8%.

Despite the company's steep fall from glory, Derek Lessard of TD Securities was bullish on what he

believes is "stabilizing" same-store sales after the company experienced north of 1% in same-store sales declines in prior quarters.

In the past year, Pizza Pizza looks to have been gobbled up by the competition in the cut-throat pizza market. The Q3 deceleration in same-store sales declines was a bright spot in an otherwise mediocre quarter, however, and seeing as you're getting a 9.1% yield alongside at just 0.8 times book value, I think raise-seeking retirees may find it worthwhile to take a slice out of the Canadian pizza player on the dip.

Stay hungry. Stay Foolish.

CATEGORY

- 1. Dividend Stocks
- 2. Investing

TICKERS GLOBAL

1. TSX:PZA (Pizza Pizza Royalty Corp.)

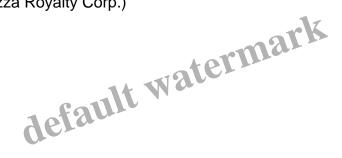
PARTNER-FEEDS

- 1. Msn
- 2. Newscred
- 3. Sharewise
- 4. Yahoo CA

Category

- 1. Dividend Stocks
- 2. Investing

Date 2025/08/26 Date Created 2018/11/12 Author joefrenette



default watermark