



Retiring Soon? You've Got to Own This Stock

Description

What exactly makes a great retirement stock, anyway?

Personally, I'm partial to a few different qualities, including:

- A steady business that will hold up in a recession
- A monthly dividend
- A company with some growth potential
- A quality business ran by a good management team

These features, combined with a diverse portfolio, should be enough to help a retiree convert their nest egg into an asset that spins off plenty of predictable cash flow each month. In fact, the underlying businesses should expand enough to ensure a growing income stream that keeps up with inflation.

Here's one of my favourite stocks to help you get your portfolio [retirement ready](#).

Canada's top restaurant stock

A&W Revenue Royalties Income Fund ([TSX:AW.UN](#)) is one of the best-kept secrets on the entire Toronto Stock Exchange.

A&W is Canada's second-largest burger chain with some 900 locations from coast to coast. Franchisees own everything from full-sized restaurants in small towns to small kiosks located in dense urban areas. This flexibility will ensure the chain continues to have a robust presence wherever hungry Canadians congregate.

A&W has posted some impressive gains over the last couple years, including several quarters of over 10% same-store sales growth, an all-important metric in the restaurant world. The company has been buoyed by a focus on high-quality ingredients, successful promotions, and deals with the various food delivery apps.

Although recent numbers were a little disappointing — same-store sales were up a mere 1.5%, which would be a solid result from most other chains — A&W's focus on delicious food and its clever marketing should ensure higher growth in the future. It's only a matter of time until the chain comes out with another home run promotion.

Long-term returns

The stock has been an excellent performer since its 2002 IPO. In fact, it has consistently grown investor wealth at a nice clip.

A&W shares debuted at just \$10 each back in 2002. Shares currently trade hands at more than \$37 each — but wait — there's more. The company has also paid a dividend the whole time, including raising the payout on a regular basis.

Over the last 15 years, the stock has posted a total return of 14.8% per year, including reinvested dividends. That's enough to turn a \$10,000 investment into something worth a little more than \$72,000.

You'd never expect a boring stock like A&W to put up that kind of return — a remarkable result.

Despite long-term success, however, A&W shares trade at a mere 15 times earnings. That's the same multiple as the average TSX stock, but A&W has clearly been better than average, which means shares are a [screaming buy](#) today.

The dividend

A big chunk of A&W's long-term total returns are likely to come from its dividend. The monthly payout is \$0.159 per share, which is good enough for a 5.1% yield.

A&W has been generous with dividend increases over the years, especially recently. It hiked the dividend six consecutive quarters in 2018-2019, only recently pausing that streak. Unlike other stocks in the sector, it doesn't pay out 100% of its earnings. That gives investors a little peace of mind in case the company stumbles.

The bottom line

A&W is an excellent choice for any retirement portfolio. It has a well-established brand, a history of consistent growth, a solid dividend, and shares trade for a very reasonable valuation. Today is a good day to add shares of this long-term winner to your retirement portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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