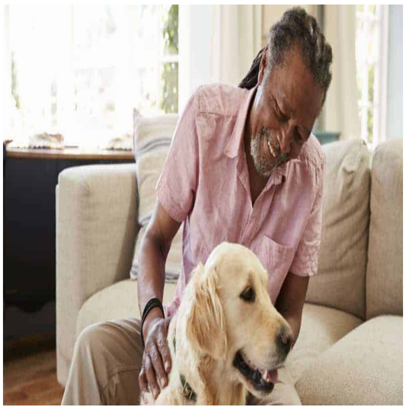

3 Reasons Retirees Should Consider Owning This Stock

Description

The thirst for yield has been a major contributor to rising stocks in both Canada and the United States. One of the best places to get yield has been from high-yield companies like **Chartwell Retirement Residences** (TSX:CSH.UN), a company that has its tentacles in two major themes: the run on real estate and the trend towards a greying Canadian population that is looking for a place to spend their golden years.

This Canadian-focused company serves Canadians in four provinces across Canada. The company focuses on providing retirement residences ranging from independent to assisted-living communities.

The company focuses on providing living quarters for seniors, a business which it continues to expand. As of its Q2 2019 report, Chartwell had a number of new residences in various stages of development, with many of these new additions actively in progress while others are still being planned.

In addition to its organic construction and development, the company is also acquiring existing properties to add to its ever-expanding portfolio. With so many new projects coming online, Chartwell should be able to continue to grow its earnings and income in the years ahead.

This strategy of growing its property portfolio has been accretive, with its resident revenue increasing by 4.5% over the same quarter of 2018. Chartwell did experience a net loss in this period, but it was stated that the loss was primarily due to a write-down in the carrying value of two properties. While the decrease is disappointing, it is hopefully just a short-term blip.

The dividend is the main reason that many retirees will flock to this stock. Chartwell pays a distribution of 4.24% at the time of this writing. That is a pretty juicy yield when you compare it to the yield that is currently available for other income-generating assets, such as bonds and GICs.

It also has a history of increasing its distribution over time, with the last being a 2% distribution increase in May of 2019. While the increase was modest, it is an inflation-matching and therefore wealth-preserving increase that should help retirees maintain their spending power over time.

The biggest downside to the company is tied to the fact that it is still, at heart, a real estate company. This means that its asset value is tied to the fate of the real estate market in Canada. If you are nervous about a potential downturn in real estate, then you might want to steer clear of this stock, since its assets would likely decrease in value.

The bottom line

Chartwell is a great stock if you are looking to pick up shares of a company that can generate the cash you need to navigate your retirement. Its high yield and inflation-matching increase should help you to maintain spending power as you dig into your retirement savings.

The demographic trend is certainly in your favour, with many boomers beginning to consider retirement living. Chartwell is working hard to meet that need by increasing its properties and offerings as it continues to expand within Canada. If you are looking for a real estate-based income play for your retirement income, this is certainly one you could consider.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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