



Retirees: Boost Your CPP Pension With Dividend Stock Price Gains

Description

Retirees, you can seek to boost your retirement income by investing in dividend stocks that have price gains potential.

NorthWest Healthcare Properties REIT ([TSX:NWH.UN](#)) and **Whitecap Resources** ([TSX:WCP](#)) are a perfect example for my illustration, as coincidentally at writing, both stocks yield roughly 6.7%.

Despite both stocks offering similar yields, their dividends aren't exactly the same. Additionally, there's a big difference in the upside and downside potential of the stocks.

NorthWest Healthcare Properties' dividend

NorthWest Healthcare Properties is viewed as a lower risk income investment than Whitecap Resources because its dividend is backed by stable cash flows generated from a diversified global healthcare real estate portfolio.

The REIT generates rental income from 171 healthcare properties, including hospitals, healthcare facilities, and medical office buildings. Its cash distribution is paid on a monthly basis and is supported by a payout ratio of 87%, which is reasonable for the REIT.

About 72% of NorthWest Healthcare Properties' leases are indexed to inflation, which offer organic growth. Additionally, the portfolio has a high occupancy of 97% with a weighted average long-term lease of more than 13 years!

Whitecap's dividend

In contrast to the predictability of NorthWest Healthcare Properties' profitability, Whitecap's appear to be highly unpredictable due to volatile and uncertain oil and gas prices. However, that's what gives Whitecap the bigger swing in price appreciation when the stock moves up.

Whitecap's dividend is paid from its cash flow generation. Year to date, the oil-weighted producer generated operating cash flow of \$482 million. After the amounts spent on capital spending, dividends, and stock buybacks, it still had \$54 million left over.

Accounting only for capital spending and dividends, [Whitecap](#) estimates this year's payout ratio to be 81% and 2020's payout ratio to be 76%, while marginally increasing its 2020 production levels by 1%.

However, if the company continues to buy back shares at the current low valuations, production-per-share growth will be greater.

Recently, oil prices have headed higher, driving its stock price much higher and making its monthly dividend that much more secure.

What are the dividend stocks worth?

Because of the predictability of NorthWest Healthcare Properties' business, there's a tight range for the stock's fair value estimate. The REIT's fair value is about \$12 per share today. So, shareholders shouldn't expect much upside if at all.

Because of the unpredictability of Whitecap's profitability, there's a wide range for the stock's fair value estimate. The oil-weighted producer can trade from \$5-8 over the next 12 months according to 17 analysts, with the average price target at \$6.57 per share currently.

Of course, if the WTI oil price stays at US\$60+ for an extended period, Whitecap's price target will likely move up.

Investor takeaway

Whitecap expects to pay out just 46% of its cash flows as dividends in 2020, giving a big margin of safety for its dividend that yields similar to NorthWest Healthcare Properties'. Whitecap stock also offers much greater upside potential — 28-56% of 12-month upside potential.

To boost their retirement income, retirees can strategically trade in and out of dividend stocks like Whitecap, which offer [awesome price appreciation potential while providing a safe high yield](#).

However, these types of stocks require considerable attention from investors to buy at lows and subsequently lock in gains when they appreciate.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

2. TSX:WCP (Whitecap Resources Inc.)

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