TFSA Investors: The Best Retirement Dividend Stock

Description

If you are looking to add income but are unsure of what industry to invest in, consider the growing retirement care industry.

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As the population ages over the coming years, there will be natural growth in the industry, making it an ideal industry to be invested in for the long term. Additionally, most retirement stocks pay an attractive dividend, so these companies make great income stocks for investors.

It's worth noting that because a lot of the services that are provided by these companies can be considered necessities, the revenue of these companies will be highly stable, and in turn the dividends will be very stable. And because these companies are seeing growing demand and pay attractive dividends, you can expect the companies to continue to increase their dividends over time.

That's why one of the best retirement stock to buy on the TSX today is **Sienna Senior Living** (TSX:SIA).

Sienna Senior Living is an owner and operator of senior residences in Ontario and British Columbia. It has a long track record of experience being in operation for nearly 50 years.

The majority of its properties are owned; Sienna has 70 properties under ownership and 14 that it manages, consisting of both long-term care centres and retirement residences. This is a key difference and helps to diversify Sienna's business, making it highly reliable.

Its long-term-care business is funded in part by the government, which also adds another layer of stability to its cash flows.

Sienna doesn't report its fourth-quarter 2019 earnings until February 20, but for the three quarters year to date, it's reported extremely strong numbers. Revenue came in just shy of $500 million — an increase of 5.3% from the same period the year prior. Net operating income was also up for Sienna as well as its dividend.

Currently, it pays a monthly dividend that totals $0.96 annually and yields roughly 4.9%. Sienna's adjusted funds from operations per share for the first three quarters was already $1.09, meaning the dividend is highly reliable and has already essentially been funded for the year, as Sienna is on pace for a payout ratio of just 66%.

You could argue that because Sienna only operates in Ontario and British Columbia, the company is not that well diversified geographically. However, those two markets are the two best to be operating in, as they will have the most growth in the population of seniors, and the demand for retirement residences and long-term care is expected to exceed supply in those regions by 2023.

Sienna has also been continuing to strengthen its financial position with its interest coverage ratio being at 3.9 times as of the end of the third quarter in 2019 — the highest it has been in the last five years. Its debt to gross book value, at just 46.5%, is also the lowest that's been in the same period.

In addition to the already solid businesses it operates, Sienna has a number of projects in development, giving it significant growth potential for the coming years, to try and meet the big increase in demand that's coming.

The company is clearly an attractive investment with quality operations and economics that make it a stock you can [own for years].

The company trades at a pretty fair valuation today, yields nearly 5%, and can be expected to increase the dividend often.

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Retirement residences and any business that will be strongly affected by an aging population will make for great investments, and there are a number of quality stocks that fit the bill, but none are better to buy today than Sienna.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:SIA (Sienna Senior Living Inc.)

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