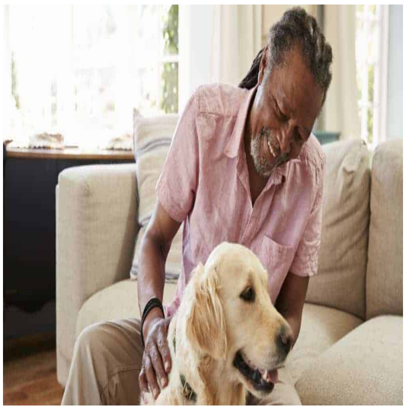

Retirees: 2 Buy-and-Hold Dividend Stocks for Income

Description

Many retirees look for higher income from dividend stocks in today's low-interest rate environment. Here are a couple of dividend stocks that they could consider buying and holding for income.

Chartwell

Chartwell Retirement Residences (TSX:CSH.UN) has been hit hard by the novel coronavirus pandemic due to a decline in occupancy rates and an increase in operating costs. Consequently, its funds from operations (FFO) reduced by 17% in 2020 versus 2019. And the dividend stock sold off more than 44% from peak to trough in 2020.

The stock has already recovered substantially from the 2020 low of $7.50 per share. The dividend stock traded at $13.40 per share at yesterday's market close price. The company is taking advantage of the more normalized share price to raise $175 million in equity offering at $13 per share.

There should be a growing demand for seniors housing, as the aging population increases. In the meantime, a lower occupancy and higher costs in residential care and infection prevention are still cutting into the company's FFO. In the first half of the year, FFO per share declined 18%.

Retirees could take the opportunity to buy Chartwell shares on a dip. Do not pay more than $13 per share for the dividend stock so that you get a yield of at least 4.7%.

Between 2015 and 2020, Chartwell stock has increased its dividend by about 2% per year, matching the long-term targeted inflation rate. In any case, Chartwell's business is expected to perform much better on a post-pandemic normalization.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) is a safer dividend stock for stable growth. This is hinted by its solid price appreciation of 13% year to date. If you managed to buy the low-risk stock at the low in February or March this year, you would be sitting on a price appreciation of close to 20%!

Despite disruptions from the COVID-19 pandemic, the regulated utility posted a marginal increase in its adjusted earnings per share last year. This is a testament of the resiliency of the low-risk business.

The company noted that about 83% of its revenues “are either protected by regulatory mechanisms or are derived from residential sales which have generally increased as a result of work-from-home practices.” This implies that these revenues offset the lower usage of its products and services from businesses.

In any case, Fortis stock maintained its dividend-growth streak by increasing its dividend by almost 5.8% in September 2020. Speaking of dividend growth, it’s expected to announce another dividend increase of about 6% next month. This is partly why the stock has shown strength recently.

If retirees are able to lock in an initial yield of at least 4% on the dividend stock, they could simply hold it for perpetual dividend growth. Accounting for the dividend hike next month, you should seek a target buy price of at most $53.50 per share for a decent bargain.

The Foolish investor takeaway

Chartwell and Fortis stocks provide nice dividend income today. However, they’re at best fairly valued stocks. So, only buy partial positions here if you need income. Particularly for Fortis, consider backing up the truck whenever it provides a yield of at least 4%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CSH.UN (Chartwell Retirement Residences)
3. TSX:FTS (Fortis Inc.)

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