Retirees: 2 Top Stocks to Buy

Description

Financial anxiety is higher in retirement than in the working years. With no regular paycheck coming, many Canadian retirees rely on their Old Age Security (OAS) and Canada Pension Plan (CPP) for sustenance. However, those with savings can avoid financial dislocation or lessen financial stress by investing in stocks.

While some retirement planners suggest scaling back on stock holdings as you get older, they're still excellent sources of pension-like income. If you need cash to put in your pocket regularly, dividend stocks, not growth stocks, are the best fit for you. Today, you only need a pair to serve the purpose.

Economic juice

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) and **Chartwell Retirement Residences** (TSX:CSH.UN) are ideal options for retirees. These dividend stocks can provide economic juice to add to your OAS and CPP pensions.

With the average dividend yield of 4.96%, a $75,000 position in each will produce a combined total of $7,440 in annual dividends. The amount is equivalent to $620 per month or almost the same as the average CPP monthly payout of $619.68 (June 2021).

Investing for the future

CIBC is Canada's fifth-largest bank with its $63.61 billion market capitalization. As of December 8, 2021, the share price is $142.19 (+35% year to date), while the dividend yield is 4.53%. Capital strength and sound risk-management practices are two compelling reasons to invest in this Big Five bank.

In fiscal 2021, net income grew 70% to $6.44 billion versus fiscal 2020. CIBC's U.S. commercial banking and wealth management segment reported the highest percentage year-over-year increase in net income (147%). The Canadian personal and business banking segment contributed the most to the bottom line (38.7% of total net income).

CIBC hopes to do more for its clients in fiscal 2022. Its president and CEO Victor Dodig said, “Against the backdrop of the ongoing global pandemic, our bank continued to invest for the future.” The bank is expanding its platform and capabilities in the U.S. while accelerating the growth of its Canadian consumer franchise. Furthermore, CIBC makes foundational investments in cloud technology and other capabilities.

Occupancy recovery

Retirees won’t find it difficult to understand Chartwell’s business and inherent risks. The $2.6 billion open-ended real estate trust is one of Canada’s largest operators of retirement residences. Last year was a challenge, because COVID-19 and pandemic-related restrictions had disrupted operations significantly.

While resident revenue in Q3 2021 declined 3.7% versus Q3 2020, Chartwell reported $917,000 in net income. The net loss in the same period last year was $6.76 million. In the nine months ended September 30, 2021, the same-property occupancy rate is 78.1%. However, its CEO Vlad Volodarski said, “We are now seeing occupancy recovery gradually taking hold.”

Management is confident that, over time, Chartwell will recover its occupancies and continue to create sustainable value for all its stakeholders. Despite the business disruption, investors aren’t losing. At $11.29 per share, they are up 5.66% year to date. The stock is an excellent dividend play given its lucrative 5.39% dividend.

Best strategy

Risk tolerance decreases as people get older. Hence, the choice of investment is crucial for retirees. The best strategy is to stick to established dividend payers like CIBC and Chartwell for safe and steady income streams.

CATEGORY

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:CSH.UN (Chartwell Retirement Residences)

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