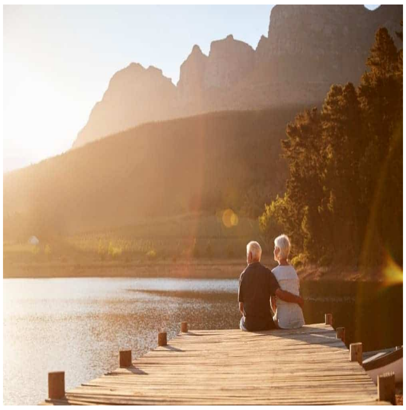

Retirees: 2 Dividend Stocks With Yields of up to 6.2% for Income Now

Description

Retirees investing in stocks must be ready to ride through volatility. The dividend stocks discussed provide nice income now and are reasonably valued, but that doesn't mean that they can't trade more cheaply in a market downturn.

The important thing is that retirees should not invest in stocks for the cash they need over the next year or even the next three years. The ideal scenario would be that you generate sufficient passive income from multiple sources, such as pension funds, old age security, and solid investments, such that you never have to sell your securities. If that's not the case, and you anticipate you'll need to sell securities, you should plan ahead and likely need to manage your investment portfolio more closely if not get financial advisors to take care of it.

The following stocks are worth looking into for retirees for the compelling dividend income they provide.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) stock has dipped more than 10% from its 52-week high but has held up relatively well versus a lot of higher-risk stocks. Rising interest rates will increase the borrowing cost of debt-heavy real estate investment trusts (REITs), which affects the whole sector and is not specific to the healthcare REIT. In fact, NWH reduced its leverage ratio by 6.1% to 41.9% year over year, as management probably saw rising interest rates coming.

Management has also done a great job growing NWH's international healthcare real estate portfolio, including hospitals and healthcare facilities, across about 224 properties.

The REIT trades at a discount to its recent equity financing, totaling $187.5 million in gross proceeds, at $13.80 per unit. This includes $15 million worth of shares sold to the CEO. The stock also trades at a discount of more than 15% to the analyst consensus price target.

At $12.83 per unit, at writing, the healthcare REIT provides a juicy yield of just over 6.2%. The defensive asset class with a high occupancy and stable long-term contracted cash flow makes the monthly dividend stock attractive for retirees who need current income.

Retirees should consider holding NWH units in their Tax-Free Savings Accounts (TFSA) for tax-free income. Notably, a market-wide selloff can pressure the stock to below $11. If that happens, do not panic, as quality stocks always tend to come back.

CIBC stock

Big Canadian bank stocks are excellent long-term holdings for retirement portfolios. Other than providing decent income now, in the long run, they also have a stable growth profile. Right now, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) stock offers the best value of the bunch. Specifically, the 12-month analyst consensus price target implies it trades at a discount of almost 20%.

Importantly, at $140.11 per share at writing, CIBC stock offers a competitive yield of 4.6%. Since the bank stock pays out eligible Canadian dividends, retirees can hold shares in their non-registered accounts and benefit from the dividend tax credit. Of course, if you have TFSA room, you're welcome to hold the conservative stock for tax-free income as well.

The bank stock's estimated payout ratio of 42% this year is sustainable. Analysts project earnings-per-share growth at a compound annual growth rate of 5.2% over the next three to five years. Therefore, it'd be reasonable for retirees to expect dividend growth of at least 5% per year in the foreseeable future. Assuming no valuation expansion, the estimated long-term total return would be around 10% per year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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