Six stocks to benefit from the aging baby boomer trend

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PUBLISHED NOVEMBER 22, 2023

Boomers are wealthier and have less debt than younger generations.

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Baby boomers represent about 25 per cent of Canada's population, and baby boomer households hold an average of $1.2-million in net worth, accounting for about 50 per cent of the country's wealth, according to Statistics Canada.

So, while millennial spending habits often make headlines, investors might be better off paying attention to the needs and wants of the aging boomer population.

A recent Bank of America Corp. report suggested investors "long boomer stocks" and "short millennial stocks," noting that boomers are wealthier and have less debt than younger generations. It also notes that boomers aren't feeling the impact of higher interest rates as much as millennials – and may even be benefiting if they have enough savings and little or no debt. The report also highlights U.S. stocks in certain sectors expected to benefit from boomer wealth, including – not surprisingly – elder care, senior housing and death care.

Globe Advisor recently asked three money managers to provide baby boomer-based investing ideas in Canada. Here's what they said, including a few less obvious options.

Christine Poole, chief executive officer and managing director of GlobeInvest Capital Management Inc. in Toronto

Ms. Poole says boomers have more savings and discretionary income than younger generations, given their age and stage in life. Boomers are also likely to spend more on groceries and pharmaceuticals, which is why her firm's clients own Loblaw Companies Ltd. L-T +2.64% increase, the company behind Shoppers Drug Mart and supermarket banners such as Loblaws and No Frills.

She argues that older Canadians are more likely to cook their own meals, while millennials and Gen Z tend to spend a larger share of their food budget on takeout, delivery and meal-kit services.

Ms. Poole also sees more growth in the drugstore side of the business. Not only do older people spend more on pills, but pharmacists across Canada have been given more latitude to prescribe medications.

"That will drive more traffic into the stores," she says.

Another stock she likes for its aging demographic focus is Chartwell Retirement Residences CSH-UN-T +0.60% increase, which owns and operates seniors' residences. The company recently sold its long-term care division to focus on the private-pay retirement living segment.

Ms. Poole's firm has owned the trust for years, including during a challenging period for seniors' homes during the pandemic.

She notes Chartwell is the top player in the industry, with about an 8 per cent market share across Canada, and its occupancy rates have been improving steadily since the pandemic. Rising immigration in Canada could also bode well for Chartwell in the longer term, Ms. Poole says.

Brooke Thackray, research analyst at Horizons ETFs Management (Canada) Inc. in Toronto

While demographics can be an important investment consideration, Mr. Thackray says it shouldn't be the only guiding factor.

"Just because the trend can be really good long term, you can still get hurt along the way," he says.

An example is Toronto-based funeral home operator Park Lawn Corp. PLC-T +0.18% increase. While Park Lawn may seem an obvious buy given the huge number of aging boomers, Mr. Thackray notes the stock is down about 35 per cent so far this year due to some operational issues at the company. On the flip side, it could be a good time to buy for investors focused on the long term.

"But you have to believe in the company long term," he says.

Mr. Thackray says retirement residences can also be good long-term buys for investors looking to play the boomer theme but cautions that not all companies are the same. For instance, Chartwell has private-pay residences, while a company like Sienna Senior Living Inc.SIA-T +0.28% increase, is a mix of private and government-funded residences, which could have pros and cons in terms of financial backing, fees and labour costs. Sienna also has long-term care (LTC) beds, while Chartwell recently divested its Ontario LTC assets.

Rebecca Teltscher, portfolio manager at Newhaven Asset Management Inc. in Toronto

Ms. Teltscher believes investors looking to profit from baby boomer spending should focus on needs rather than wants, especially if the economy slows in the short term, which will curb spending on discretionary items such as travel.

It's why the only consumer discretionary stock she owns today is Savaria Corp. SIS-T +0.21% increase, which designs and sells accessibility equipment such as stair and wheelchair lifts, medical beds and other medical equipment.

"Many seniors don't want to downsize to a condo," she says. "Savaria is all about helping people stay in their homes for longer."

Another stock she likes is garbage and recycling company Waste Connections Inc. WCN-T +0.84% increase. She argues that boomers have a lot of stuff, and when they downsize or die, there are few places for it to go.

"There's a purge happening," she says, adding that the stuff often isn't passed down to millennial children, either because they have different tastes or can only afford smaller homes.

"There's no room for millennials to hoard," Ms. Teltscher says. She doesn't own Waste Connections in her portfolio right now because she believes the valuation is too high. "But if it gets cheap, I'd buy it in a heartbeat."

The responses have been edited and condensed.