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Should You Retire With Ebix?

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Being able to retire rich, or at least comfortable, is the goal of almost any investor. However, it's much easier said than done. In a recent **Wells Fargo** survey, respondents between the ages of 50-59 said that they had, on average, about $29,000 saved up. With pensions all but gone, and Social Security targeted for cuts in the future, it's hard to count on anyone but yourself. But $29,000 isn't going to cut it for most people, so you've got to get involved in the stock market in order to grow that nest egg. Getting in the game is the easy part; choosing the right stocks is the hard part.

Making prudent decisions
Generally speaking, I look for four traits in a retirement stock:

1. **Valuation:** Investors of all ages want to make sure they're not overpaying for a stock, but this matters even more in retirement. Retirees don't have the long time horizon that younger investors have, so it's essential to make sure you don't overpay in the short term.
2. **Dividends:** Most retirees need a combination of both growth and income, as they'll be depending more and more on their portfolio to help with everyday expenses. Companies that pay dividends not only offer immediate income, but they've also proven to outperform non-paying dividend companies over long periods of time.
3. **Growth:** Investors love dividends, but everyone wants to see their stocks rise over time. Growth can be as big a part of your portfolio as a steady dividend. It's important to note that you don't need a high-flying stock that's going to shoot to the moon; a company that can grow and outperform the market is hard enough to find, so steady growth is highly covetable.
4. **Low volatility:** Retirees want to invest in great growth stocks just as much as anyone else, but they also want to be able to rest well knowing that their portfolio won't be taking them on a roller-coaster ride. At the end of the day, most retirees would rather own a sturdy company that lets them sleep at night than a company that whips up and down with the gyrations of the market.

Although some companies are definitely more geared toward retirees, which companies you choose to invest in will be dictated largely by what you already have in your portfolio. Small, mid, and large caps can all play a role in your investing strategy, so I chose to evaluate all varieties of stocks in this regular series.

So how does Ebix stack up?
In order to check out the valuation of **Ebix** (Nasdaq: EBIX) , we don't want to look at only its P/E ratio of 12.3. That may seem cheap, but really we don't know without looking at the ratio in historical context. Over the last five years, Ebix's average P/E ratio has been 16.6, which is greater than the current ratio. This suggests that investors could be seeing an opportunity to buy Ebix on the cheap right now.

Ebix's dividend is 0%. Of course we'd love to see all companies pay a dividend, but unfortunately, they don't all decide to go that route. It's not always a terrible thing though; companies can use their cash for stock buybacks or to implement growth initiatives.

Next, we want to ensure that Ebix's stock has the ability to rise over the next five, 10, or 20 years. A company that's growing its net income has the best possible chance to see its share price rise over time. Of course, we can't predict the future, but we can look back to get an idea of how the company has performed in the past in order to try to ensure future earnings growth. Over the past five years, Ebix has grown its net income by 69.7% annually. Fortunately, Ebix has been able to grow its earnings over the past five years, and that's pretty significant considering all of the market turmoil in the last few years. Of course, this doesn't mean that growth will continue, but it's a great sign that the company can prosper in the face of difficulty.

One of the best measures of volatility is called beta. Beta measures the impact that the movement of the stock market will have on a particular stock. For instance, a beta of 1.0 signifies that Ebix will move in tandem with the market; a beta of 2.0 means that the stock will move up twice as much as the general market, and vice versa. In this particular case, Ebix has a beta of 0.84, which is pretty low. Generally speaking, I like to see a beta below 1.2 for retirees. In this case, Ebix fits the bill.

Let's look at the competition
We've taken a look at Ebix, and maybe you think it's passed all the tests, or maybe you just don't feel comfortable with the results. Either way, it's beneficial to see how a company stacks up in its industry, because it's just as important to understand a company's competitors as it is to understand that particular company. Here are Ebix's stats when compared to three peers who are either engaged in application software, or enable the free flow of data:

Company	Current P/E	Dividend Yield	5-Year Net Income CAGR	1-Year Beta
Ebix	12.3	0%	69.7%	0.8
Thomson Reuters (NYSE: TRI)	30.2	3.3%	0.7%	0.4
Solera Holdings (NYSE: SLH)	27.0	0.5%	N/A	1.0
Computer Sciences (NYSE: CSC)	8.5	2.1%	8.3%	1.3

Source: Capital IQ, a division of Standard & Poor's.

Each company has traits to like and traits left to be desired. Either way, it's beneficial to look at the industry picture and not just Ebix in isolation.

Of course, I can't decide for you whether or not this is the best stock for retirement, but it has passed 3 of the 4 tests, which is pretty impressive. It doesn’t necessarily mean this stock is a slam dunk, but it has shown its ability to reward shareholders and that means it could have a place in your portfolio.

Interested in adding any of the companies above to your watchlist? Click below to get the latest commentary and analysis.

- Add EBIX to My Watchlist
- Add TRI to My Watchlist
- Add SLH to My Watchlist
- Add CSC to My Watchlist

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