Defensive Names to Add to Any Low-Risk RSP

Description

Just as TFSA contribution opens annually on January 1, the month of February is traditionally viewed as the deadline to make an RSP contribution. For those not in the know, the annual RSP deadline to count a contribution for the previous year's tax year is the 60th day into the new year, which is typically March 1. Depending on the year, it could be February 29 or pushed back by a few days if March 1 falls on a weekend.

There are many possibilities when looking for investments to add into an RSP. For investors purchasing individual equities, there are either cyclical or defensive stocks. Cyclical stocks are characterized by large variations in profit due to the business cycle. In times of economic prosperity, profits will be significantly above the long-term average, while during recessions, profits will decline drastically or even be negative.

For defensive stocks, however, the profits will be much more consistent throughout the economic cycle regardless of the average consumers' level of disposable income. If you want to find investments that can be held through thick and thin, here are three defensive names with the ability to please almost any individual investor.

North West Company Inc. (TSX:NWC)

While this grocer is unknown to many, shares of North West Company are probably the most defensive of the three companies presented in this article. With stores in the Canadian north and Alaska, the clientele and the sales are as consistent as any investor could ever ask for.

With a beta of 0.23 and a new acquisition in 2017, this company has provided investors a dividend yield between 4% and 5% on a consistent basis for several years. The expectation is that North West Company will continue to deliver for a number of years yet.

Loblaw Companies Limited (TSX:L)

Currently offering investors a dividend yield of approximately 1.5%, this grocery retailer is trading at approximately 30 times earnings and has performed very well in the past few years. With a dominant market position, investors may still have a lot to look forward to.

Metro, Inc. (TSX:MRU)

With a comparable yield, shares of Metro are trading at only 17 times earnings and may offer more upside potential given the company's smaller footprint. Patient investors may experience the benefits of the company's investments in long-term capital expenditures.

Long-term investors should remember defensive stocks bear lower risk than cyclical investments and often result in lower returns over the long term. Responsible investors will also remember the eighth wonder of the world: compounding. Assuming we continue with regular average compounded returns, this snowball may get pretty heavy.

The stocks of what is arguably Canada's most boring industry may be the way to go.

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3. TSX:NWC (The North West Company Inc.)

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Date
2025/07/07
Date Created
2017/02/14
Author
ryangoldsman