# Where to Stash the 2017 RSP Contribution

## Description

With the March 1st RSP deadline right around the corner, investors have to make the decision of how much to contribute and, of course, where to invest the contributions for the best returns given their risk tolerances.



Given the current climate, many investors are not looking to make overly aggressive investments as the political situation south of the border could change very quickly; or, just as probable, the oversupply of oil could return, and we could see another price collapse in one of the most important commodities in the world.

Currently, there is a lot of uncertainty in the global markets — not only in Canada. To make things riskier, many of the stocks in the Canadian market are trading near 52-week highs based on earnings that have begun to move sideways instead of up. Investors need to consider that the economy is now more than eight years removed from the financial crisis which took interest rates to nearly zero.

Many years after the financial crisis, consumers have had the opportunity to right their ship, and now the governments will need to do the same. The reality is, with current interest rates at this low a level, the government is more like a caddy who's out of golf balls heading down the stretch. There can be no room for errors, which we know are inevitable. Rates will have to rise to give the government the tools to deal with the next recession.

The result for investors is the clear risk of higher interest expenses for highly levered companies. Higher interest expenses often translate to a decline in profit and, obviously, a decline in the share price. Investors do not like to lose money.

As many are aware, there are a number of ways to avoid risk. The first way is to simply not take the risk, but that means there will be no reward. The second way is to minimize the risk by heading into defensive stocks; although they offer lower returns than cyclical stocks, they are an investor's best friend during difficult economic times.

Currently, the grocer **Empire Company Limited** (TSX:EMP.A) may be one of the best picks available in the defensive category. With a total market capitalization just under $5 billion, the company has total assets close to $9 billion and long-term debt of less than $2 billion. The danger of investing in a highly leveraged company is not a concern with Empire Company Limited. With total equity in the company totaling approximately $3.6 billion, the book value per share is not far from $13.50 per share.

Removing goodwill from the $13.50, investors purchasing shares at a current price of approximately $17 are receiving tangible book value of almost $10 per share — excellent value for a grocery chain such as this one.

At a price tag of $17, the moderate but growing dividend yield of almost 2.5% may be the tip of the iceberg once corporate earnings begin to pick up again.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:EMP.A (Empire Company Limited)



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