



Why Defensive Stocks Are an RSP Investor's Best Friend

Description

With the RSP deadline quickly upon us (this coming Wednesday, March 1), many investors are now forced to look at various options with very little time on their side and potentially make a quick decision. Although most will decide on something exciting with the potential for large returns, in reality, investors should instead be thinking of themselves as dog owners.

In the dog-owner world, the idea of matching a dog's personality to the owner's personality is very important. As an example, an 80-year-old looking for companionship will probably not bring a Jack Russell home from the pet store. That dog would be much better suited for a younger person or a couple with a lot of energy. Investors can apply this same idea to investing: they should match their personalities with the stocks they buy.

To become a successful investor, it is very important to be honest with oneself. An investor who doesn't follow the market and dreads dealing with the investment aspect but still enjoys purchasing individual securities should probably be looking for companies that fit into the defensive category.

By investing in companies such as **Jean Coutu Group PJC Inc.** (TSX:PJC.A), or even something like **The Coca-Cola Co** ([NYSE:KO](#)), investors who "put off" managing their portfolios will have a smaller chance of suffering major losses.

A characteristic of a defensive company is the consistency of revenues, earnings, and dividends during all phases of the market cycle. Although return on equity is, on average, lower than a cyclical company, the reality is that over time, the consistency will allow an investor to sleep better at night, which in turn allows the investor to stay invested during tumultuous times.

Jean Coutu is a pharmacy chain with a very large footprint in the Quebec market. Although there are certain things, such as makeup or candy, which are bought in higher volumes or even at higher margins during bull markets, the pullback in revenues during a recession are usually very minor. The most important product a pharmacy sells is the medication, which, in good economic times or bad, is needed without hesitation.

The Coca-Cola Co is the beverage company almost all of us know. The maker of many products,

including the original Coke, the company has added a number of healthy products to the lineup. Further, the diversification not only runs through the beverage line, but also the snack-foods offerings.

On a number of occasions, Warren Buffett has talked about the circle of competence and sticking to what you know. In this case, investors who are pressed for time as the RSP deadline approaches may want to take a page out of his playbook and find an approach that works for them.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:KO (The Coca-Cola Company)
2. TSX:TLRY (Aphria)

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