



Risk-Adverse Beginner? 3 Stocks to Own if Preservation of Capital Is Your Top Priority

Description

Every investor is unique when it comes to their risk tolerance. While it's recommended that younger investors take on more risk to achieve the optimal long-term results, many young investors, like those in the millennial generation, are more risk adverse than their older counterparts.

Pundits say that millennials ought to be 100% invested in stocks, but the fact of the matter is, most millennials are too afraid to invest any amount. In a study conducted by **Wells Fargo**, over ~20% of millennials stated they'd "never invest in the markets," while over ~53% stated if they did invest in the markets, they'd "never feel comfortable." That's a major problem that needs to be addressed. Millennials need to get some skin in the game, or their retirements could go up in smoke.

With over half of millennials that are investing who are "not comfortable" or are fearful, most of these millennials would likely panic and hit the "sell" button in the event of an unexpected downturn, when they should be buying stocks on the dip. It's never easy to see your portfolio lose 10% over a few trading sessions, and those fearful millennial investors are probably setting themselves up to realize massive losses once the next recession arrives.

If you're one of these risk-adverse investors, then it may make sense to start a portfolio of defensive stocks that would be easier to hold when the markets get really ugly. While this strategy isn't recommended for younger generations, like millennials, I believe it's a great way to build experience and confidence for those who believe they're in over their heads when it comes to investing.

Here are the stocks:

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#))

Fortis is one of the best stocks to own for conservative income investors. The stock has a 3.52% dividend yield, which will grow consistently on an annual basis and pad volatility when the markets turn onto a rocky road.

Despite being a boring, stable utility company, Fortis is growing quite fast and is expected to continue

to ramp up with its U.S. expansion efforts. Such efforts are expected to deliver dividend growth of ~6% CAGR through 2021.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank is arguably the best Canadian bank with the highest-quality earnings stream. Shares of TD trade at a premium relative to its peers because of its robust retail-focused businesses, which provide a more predictable income stream compared to other banks.

In addition, TD Bank has an incredible risk-management strategy, and because of this, in the event of a recession, shares of TD will usually lead a sharp rebound.

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))

CN Rail is a dividend-growth king which has outperformed the market over the long term. Although the company has delivered impressive returns, shares are ridiculously safe thanks to the company's wide moat.

During the last recession, CN Rail took a plunge, but it was very quick to recover, and those who'd bought on the weakness ended up huge winners over a very short period of time.

Bottom line

These stable blue-chips ought to make any risk-adverse investor sleep comfortably at night, but it's still important to remember that even the most conservative of stocks could face major declines if an economic downturn presents itself.

Not even the safest stock is a substitute for patience and discipline. Another crash is coming. You just need to accept the fact and be prepared to buy on the way down with ample cash on the sidelines. Patience and discipline are learned through experience, so it'd be a wise idea to gradually scale in to a position in any one or all of the stocks mentioned in this article, but only if you promise that you won't panic and sell once things get ugly — because one day, they will.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:FTS (Fortis Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

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