Stock Market Crash: These 5 Dividend Stocks Will Help When it Comes

Description

The party in equity markets seems far from over. There is no immediate threat to economies in the developed world. Corporate earnings have been strong, inflation is under check, and the unemployment rate continues to decline.

This positive outlook is a great news for investors, who have not seen any major downturn since the Financial Crisis of 2008.

But when valuations are so stretched, smart investors always keep their guard up to deal with a severe correction or economic downturn.

The Globe and Mail, in a recent report, cited **Merrill Lynch's** latest Global Fund Manager Survey, which showed that wariness among professional investors is at its highest level on record.

The number of respondents who said stocks were overvalued was larger than at any time since the monthly survey began in 1998.

So, how you could balance your portfolio to deal with a possibility of the market taking an ugly turn or stalling economic growth?

One solution is to diversify your portfolio with recession-proof stocks. Some businesses are built to produce cash in every cycle of the economy. And investors can count on their dividend cheques to arrive in the mail.

Here are my five favourite picks:

Stock	Dividend Yield
Fortis Inc. (TSX:FTS)(NYSE:FTS)	3.49%
BCE Inc. (TSX:BCE)(NYSE:BCE)	4.64%
Brookfield Infrastructure Partners L.P. (TSX:BIP.UN)	3.07%
Dollarama Inc. (TSX:DOL)	0.29%

Chartwell Retirement Residences (TSX:CSH.UN)	3.77%

Source: Google Finance

Let us say a few words about these stocks.

Utilities and infrastructure providers, such as Fortis and Brookfield, have a unique position in our economy, as they provide essential services we can't avoid, even during the worst of economic cycles. Most people will cut their discretionary spending first before they stop paying for electricity or gas bills.

Brookfield, for example, owns a strong and diversified portfolio of assets, including utilities, transportation, energy, and communications infrastructure across North and South America, Asia Pacific, and Europe.

This portfolio of critical infrastructure assets globally provides long-term investors diversification and helps the company generate stable cash flows with minimal maintenance capital expenditures.

Canada's largest telecom utility BCE is another defensive stock to own. This company, with more than 100 years of dividend-paying history, has been through many economic cycles and market downturns. But it has never stopped sending dividend cheques to its investors.

Dollarama, Canada's largest owner and operator of dollar stores, fits very nicely in any defensive portfolio due to its ability to provide households daily consumption items at prices others can't match. The discount chain has built its business strategy by targeting the Canadian middle class, which is growing and very price conscious.

Finally, Chartwell Retirement is the largest operator in the Canadian senior living space, managing over 175 locations across four provinces in Canada. As the Canadian population ages, investing in retirement residences and long-term care facilities is probably one of of best recession-proof strategies in the real estate sector.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
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3. TSX:BCE (BCE Inc.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:CSH.UN (Chartwell Retirement Residences)
6. TSX:DOL (Dollarama Inc.)
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Date
2025/08/26
Date Created
2017/11/21
Author
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