Retirees: Don’t Make Drastic Portfolio Changes in Response to Rising Interest Rates. Buy These Canadian Favourites Instead

Description

It’s a tough time to be an income investor, especially retirees who are looking to batten down the hatches in preparation for market volatility that could pick up as we head into the new year. Many pundits are worried that the recent crypto-craze surrounding Bitcoin and the like will cause a market-wide panic at worst and a spike in volatility at best. There’s no question that we’re overdue for a correction, especially since many would agree that we’re in the late stages of one of the longest bull runs in history.

It’s clear that conservative income investors like retirees are no fans of volatility, but the biggest concern for these investors probably isn’t rising volatility, but rising interest rates. Over the next year, more rate hikes are probably in the cards, and that’s bad news not just for heavily indebted households, but for investors in higher-yielding securities like REITs, utilities, and telecoms.

For many retirees, these three asset classes comprise a huge chunk of their portfolios, and unfortunately, there’s no way around it: rates are going up, and total returns for conservative income investors probably won’t be as attractive as they were in the past.

So would it make sense to opt for higher risk, higher reward income investments? Although it may seem tempting for retirees to give themselves a raise by opting for such securities, it’s important to remember that preservation of capital should be the number one priority. That means sticking with stable income payers and not taking risks, since substantial losses could jeopardize a retirement.

REITs, utilities, and telecoms still offer the stability that few other high-yield securities can match. While it’s still possible to have your cake and eat it too, many retirees would be better off not making drastic changes to their portfolios to adapt to a rising interest rate environment. Instead of selling, it may be a wise decision to go bargain hunting for unfairly beaten-up REITs, utilities, or telecoms.

Consider **Canadian Utilities Limited** (TSX:CU) and **Canadian REIT** (TSX:REF.UN), two solid conservative income investor favourites that are down ~14% and ~10%, respectively, from their all-time highs. Both stocks are boring, but stable and trading at discounts to their intrinsic values.

Both Canadian Utilities and Canadian REIT have P/E, P/B, and P/S multiples that are considerably lower than their respective five-year historical averages.

In addition, both securities yield close to 4% and have hiked their dividends/distributions consistently through the years. If you're looking for stability, value, and a high yield, then look no further than these two Canadian gems that appear to be custom tailored for retirees looking for a safe house from market volatility.

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joefrenette