



Go Against the Grain and Purchase These 2 Cheap Contrarian Stocks for Your RRSP or TFSA

Description

Going against the grain has its advantages, but like shaving, you've got a slight chance of getting nicked. Catching a falling knife is never a good idea, but unfortunately, a lot of beginner investors who wish to be contrarian end up suffering from deep cuts, because they're either not doing the right amount of homework before pulling the trigger on a stock, or they're mistaken into believing that there's a margin of safety that's developed after shares of a stock have fallen by some percentage from its peak.

These are fallacies that get a lot of new investors into serious trouble, and unfortunately, their deep cuts by going against the grain have resulted in enough bleeding such that these investors are done with the do-it-yourself investment game forever. Some may even be done with investing altogether! That's alarming, especially when you consider the younger generation of investors will need a lot more to fund their retirements.

It's not just inflation or soaring life expectancies. Many younger investors who are new the game are, on average, poorer than their parents' generation at their age. Graduating into the Great Recession certainly didn't help either. Younger generations are going to need to invest if they're ever hoping to retire as quickly as their parents did, but it's not that gloomy of a situation when you think about it, especially if you start investing early.

You'll have the greatest advantage on your side when it comes to long-term investing: time. And if you're able to leverage it in a smart way, younger investors should have no problem retiring at an earlier age than their parents, especially with a tax-free wealth compounder like the TFSA or RRSP, which are both incredibly valuable tools that new investors should be taking advantage of.

There's no shortage of articles on how to use the [TFSA](#) or [RRSP](#) effectively here at the Fool, so please do your homework before you miss the RRSP deadline on March 1.

In a [previous piece](#), I'd mentioned two red-hot growth stocks that young investors should buy for their TFSAs. In this piece, I'm going to mention two beaten-up stocks for contrarian investors looking for a

margin of safety in Canada's bargain bin of high-quality blue chips.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) and **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) are two great contrarian stocks that are down ~36% and ~20%, respectively. They now have fat dividend yields of 6.4% and 4.7%, respectively. These two firms offer stable income to go with a significant margin of safety at current levels. I hate to sound like a television commercial, but both stocks, I believe, will only be on sale for a limited time only.

Enbridge is continuing on its dividend-growth trajectory, and there are projects that will significantly beef up cash flow over the next few years to support its dividend-growth promise to investors. That's like a pipeline of cash going straight to your wallet!

Shaw is in the very early stages of an industry-wide disruption. Watch for the company to garner huge momentum in its wireless subscriber base over the next few years, as it goes all-in on network upgrades and aggressive promos. I'm very confident that the stock will be much higher a year from now.

Bottom line

Want to whack the markets over the long haul? Buy quality dividend stocks that are off their highs. When it comes to a margin of safety, I think Shaw and Enbridge are the best of class. Shaw is for a more conservative investor, and Enbridge is if you've got the stomach for a rockier road that may lie ahead. Either is a great fit for your RRSP or TFSA, whichever vehicle you're thinking about buying stocks for.

I'd buy both here, but if I had to choose one, I'd be Shaw. I think it's a much better bet given the reward that you'll receive relative to the amount of risk that you'll be taking on.

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TICKERS GLOBAL

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SJR.B (Shaw Communications)

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Date

2025/07/08

Date Created

2018/02/28

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