1 Defensive RRSP-Ready Stock to Crush That Fear of Retirement

Description

While retirement investors may be rushing to snap up discounted bankers, miners, and energy suppliers after a sudden winter storm on the markets left a trail of beaten up tickers behind it, don't forget that there is some defensiveness – and some decent dividends – to be found among insurers. The following stock is just right for an RRSP and pays sturdy, defensive dividends.

Canadian insurers occupy a special niche of the TSX index that offers retirement investors a source of stable and diversified passive income that can be stacked neatly alongside similarly-performing investments such as bank stocks, REITs, and ETFs. The following top pick for 2019 is one of the most attractive stocks to buy now if you want to lock in a decent dividend yield in a perennially sought-after field.

Great-West Lifeco (TSX:GWO)

Insurers have had a tough time expanding of late: Great-West Lifeco is ahead of the curve, however with one-year past earnings growth of 8.6%, thereby beating the industry average contraction by 5.5% for the same period, as well as its own five-year average past earnings growth of 1.1%. A quick snapshot of Great-West Lifeco's data shows three further positive factors that go toward a moderate buy signal: a reasonable PEG ratio of 1.4 times growth, low comparative debt level of 22.9% of net worth, and some insider buying over the last three months.

In terms of value, Great-West Lifeco beats the TSX index with its P/E ratio of 10.4 times earnings, while a P/B of 1.3 times book shows that you're not paying too much above per-asset value. The biggest draw for passive income investors, however, is a beefy dividend yield of 5.6%, with dividends displaying good stability over the last 10 years.

An exemplary insurance stock fit for an RRSP

Three key indicators of quality are: return on investment, earnings per share, and outlook. With a past-year ROE of 10%, EPS of $2.67 and moderate 7.3% expected annual growth in earnings, you've got a fairly good quality TSX index insurance stock. Though those figures may be on the low end, it's worth remembering that insurance is a fairly saturated field, with high growth being hard to come by. The key takeaways here should be: a positive outlook, low debt, a high dividend yield, and attractive valuation.

Moving on to momentum, we can see that Great-West Lifeco gained 2.69% in the last five days, has a beta of 0.72, and is discounted by 38% compared to its future cash flow value. While that hike in share price is possibly a reaction to a perceived value opportunity following a high-level executive change, combined with a surge in confidence after an icy Christmas market plunge, that low beta indicates a stock generally sheltered from market volatility, which equals good news for the risk-averse investor.

The bottom line

With a market cap of $27 billion, Great-West Lifeco is a geographically and service-diversified TSX index stock with strong defensive qualities that should help bring retirement investors peace of mind. It’s attractively valued, pays a sturdy dividend, and offers strength to any domestic personal investment portfolio – just right for an RRSP. For relatively assured passive income, retirement investors can’t do better than this kind of healthy, dividend-paying insurer.

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