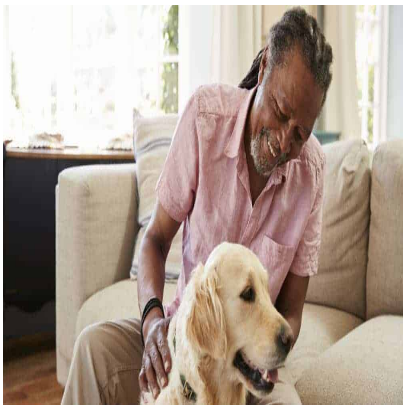

Don’t Tap That RRSP! 4 Reasons to Stay Invested

Description

It might be tempting to raid the nest egg at the moment, with everything from household debt to real estate worries and economic uncertainty making headlines and rattling long-range investors. However, there are at least four good reasons why retirement investors should avoid dipping into their RRSPs, RRIFs, or other long-term retirement plans just yet.

Dividend payers in an RRSP provide long-term income

Cashing in an RRSP or other long-term savings plan may be one of the first things that comes to mind when looking for a short-term fix, but it should be avoided if there remain any other alternatives. While servicing debt should, of course, be a priority, an investor must be prepared to acknowledge that holding a certain amount of debt is an ongoing situation and be patient enough to reap the rewards of a retirement plan.

For instance, buying today, a shareholder in **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) would lock in good value (see a P/E ratio of 12.4 times earnings and P/B of 1.8 times book) and a higher dividend yield. Since an RRSP can be rolled over into a spouse’s RRSP or rolled into an annuity for a child or grandchild, even a small, carefully maintained portfolio can form the backbone of a legacy.

While stocks may fall, they usually recover

Holding through tough times — and even a recession — is a bold move, but it can pay off. Investing in defensive companies with a solid market share, a +$300 million market cap, a large employee pool, and a seasoned management team and board is a smart strategy for the long-term shareholder. All of this data is available for the majority of the best stocks on the TSX index, and full use should be made of it by any prospective buyer looking to hold for the long term.

Removing a few stocks may leave a portfolio under diversified

Don’t play Jenga with stocks. By cashing in one section of your portfolio, an investor could end up leaving themselves open to overexposure in another area. A mix of defensive stocks should be held, either alone or in conjunction with some wisely chosen speculative plays, with the former taken from such sectors as finance, utilities, mining, and some areas of consumer cyclicals, such as pharma and food production.

Stocks balance out other retirement investment types

Real estate is probably the biggest common investment type in a retirement portfolio aside from an RRSP or RRIF. With that in mind, shareholders should offset their stock holdings by appraising the full value of their house, houses, or other physical real estate investments and apportioning wealth appropriately.

Investors with large brick-and-mortar real estate portfolios may want to lay off the REITs, for instance, instead supplementing a physical housing portfolio with steady-rolling financial and energy stocks such as TD Bank and **Enbridge** (TSX:ENB)(NYSE:ENB), respectively. With a P/B of 1.6 times book and five-year average past earnings growth of 33%, the 6.01% dividend yield payer Enbridge is a good example of an RRSP-worthy stock.

The bottom line

While some investors who may have left themselves short and overinvested in stocks may have little choice but to close out an account, for anyone with other options, it makes sense to keep that RRSP well stocked with juicy TSX index dividend payers. Both TD Bank and Enbridge represent the best Canadian stocks to pack in an RRSP and should be supplemented by other defensive assets.

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Date
2025/09/20
Date Created
2019/03/16
Author
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