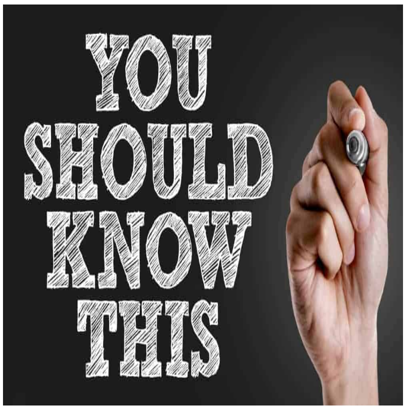

How to Recession-Proof Your RRSP With Just 3 Stocks

Description

Can a retirement investment fund such as an RRSP or RRIF really be shored up by investment in just three stocks? Depending on what kind of spread of assets is already held in a portfolio, adding a few strengthening stocks can help to spread the risk while bringing in some welcome passive income. The three stocks below represent the kind of investments that could deliver this type of added stability.

Newmont Goldcorp (TFSX:NGT)(NYSE:NEM)

Newly formed by a merger of two of North America's leading precious metals companies, Newmont Goldcorp pays a dividend yield of 1.81% and has an expected 55.3% growth in earnings on the way over the next one to three years. At $41.69 a share at writing, it's selling at a 14% discount against its future cash flow value of $48.43, though a P/E of 73.9 times earnings denotes overvaluation.

Up 3.3% in the last five days at the time of writing, Newmont Goldcorp is already a hot choice among investors and is likely to continue rising. The low-risk investor has plenty to like here, with a solid track record to a debt level of 38.4% that's within the liability safety zone and being well covered by Newmont Goldcorp's operating cash flow.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

With returns of 18% that fell just short of the Canadian transport industry average of 19.2% over the past year, Canadian National Railway is a key strategic stock that adds backbone to any portfolio.. Its beta of 0.91 relative to the market shows a similar volatility (or lack thereof) to some of the **TSX** index's top defensive assets, such as the Bay Street bankers.

However, at $126 a share at writing, it's not far off double its fair value in terms of future cash flows, while a P/E of 21.1 times earnings and P/B of 5.2 times book underline overvaluation. Negative earnings over the past year is another concern, although overall positivity is in evidence in a five-year average past earnings growth of 12.9%.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

With still a long way to go until it hits its fair value of $120 a pop, investors could technically grow their investment by 40% by buying at the current share price of $71. With a beta of 1.16 relative to the TSX Index, Scotiabank could be better insulated, though its size and market share go some way toward adding to its defensiveness.

Steady inside buying over the past 12 months is a good sign of confidence in Scotiabank stock. The company's market ratios are looking good, with a P/E of 10.6 times earnings and P/B of 1.4 times book showing market-weight valuation. Its dividend yield of 4.87% is sizeable, and backed up with 10 years of stable, rising payments, while a 6.5% growth in earnings makes for a solid long-range investment.

The bottom line

While the TSX index has any number of possible RRSP-fillers, the three stocks discussed above represent solid suggestions. Canadian National Railway's dividend yield of 1.7% and 8.1% expected annual growth in earnings make this classically defensive stock suitable for the general retirement investor looking for some peace of mind to go with their passive income.

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