



## Every Retiree Should Know These Stocks

### Description

Retirement should be enjoyable, but most people still need to keep a close watch on their finances. Choosing the right investments today is just as important as it was in years past. In fact, it's probably *more* important. Retirees need to not only protect their nest eggs but also grow their savings to offset spending.

With that in mind, it's necessary to know which stocks can give you the best of both worlds: limited volatility with plenty of upside. These are tough requirements to find in a stock, but the following three picks look the part.

### This just works

Every now and then, you find a stock that ticks every box. **Fairfax Financial Holdings** ([TSX:FFH](#)) is one of those stocks. This is an investment that has consistently paid off for decades. Since 1985, shares have increased in value by an astounding 17% per year. Here's the good news: nothing has changed.

Today, Fairfax Financial is still headed by Prem Watsa, largely regarded as the Warren Buffett of Canada. The company's dominant multi-decade performance is entirely due to his savvy leadership and investment style. Now 68 years old, Watsa still has at least 20 years of great investing ahead of him. Warren Buffett, for comparison, is 88 years old.

But wait — this story gets even better. In several stock market crashes over recent decades, Fairfax Financial has outperformed the market. During the 2008 and 2009 financial crisis, shares actually *rose* in value. If it isn't broken, don't fix it. I'm [sticking](#) with Watsa and Fairfax Financial for the next decade and beyond.

### Speaking of management

Fairfax Financial is essentially a holding company. It owns multiple insurance businesses that give

Watsa regular capital to invest however he sees fit. This model is very attractive. Watsa uses a low-risk business to finance higher-risk bets with greater upside. But Fairfax Financial isn't the only game in town. **Power Financial** (TSX:PWF) has adopted a similar strategy with a unique twist.

Power Financial owns interests in a wide variety of businesses. For example, it owns 67.8% of **Great-West Lifeco**, an insurance company with a 25-year track record of outperforming the market. It also owns interests in Putnam Investments, Great-West Financial, **Groupe Bruxelles Lambert NV**, Wealthsimple, **IGM Financial**, and more. It uses the income from these interests to invest in additional partnerships and projects.

Since 1995, shares have increased in value by 800%. The stock currently has a dividend yield of 6.3% and a bargain valuation of just 8.6 times forward earnings. This is a great opportunity to buy a high-quality stock on the cheap.

## Eliminate risk

While it's never possible to completely eliminate all risks, you can eliminate some. Buying **Hydro One** ([TSX:H](#)) mitigates nearly every risk you can think of.

Hydro One was established in 2015 and owns hydroelectric projects that provide Quebec with electricity. All of the business is fully regulated, meaning the company is nearly guaranteed a certain level of profit. That allows it to pay an incredibly reliable 4.2% dividend, all while reinvesting in future growth.

This stock will never be a game-changer investment — that is, unless equity markets fall off a cliff. Even if the **S&P/TSX Composite Index** were to drop 50%, I doubt Hydro One stock would fall by more than 10%. Its input costs (hydro) are the same regardless of the economy. And even in a deep recession, households and businesses still use plenty of electricity. If you have a section of your portfolio you want to protect at all costs while earning 4.2% in passive income with long-term growth, this is your best bet.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:H (Hydro One Limited)

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rvanzo

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