Retirees: What Stocks to Avoid Approaching Retirement

Description

Investors reacted negatively to **Canada Goose** (TSX:GOOS)(NYSE:GOOS) earnings on Wednesday. Falling by nearly 9%, the stock was down by almost $5.00 per share before lunch.

The luxury apparel corporation manufactures winter clothing and tends to see better stock price performance in the winter months. The company reported a loss of $0.27 per share for Q2 2019 – a more significant loss than consensus estimates of negative $0.17 earnings per share.

On the bright side, the company increased revenue by over 59% to $71.1 million. Dani Reiss, President & CEO, commented on the strong performance across all geographic segments in the earnings call. Europe and the Rest of the World segment grew revenue by 79.7% last quarter.

More impressive is that the company tripled its Asian revenue to $18.1 million, a difficult market for many exporters affected by U.S. president Donald Trump's trade war.

The trade war and recessionary concerns are two reasons to avoid stocks likely to react more strongly to economic performance indicators.

In the past 52-weeks, Canada Goose stock has fallen by over 15%. While the stock is a darling on both the **TSX** and the **NYSE**, Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors may want to look for safer options on the **Toronto Stock Exchange** (TSX).

Here's why you should avoid popular stock exchange darlings like Canada Goose and two stocks you should consider instead.

Canada Goose volatility is off the hook

Founded in 1957, Canada Goose designs and manufactures luxury winter apparel.

Canada Goose would be a good stock to add to your portfolio if it was less volatile. With a three-month beta of 3.35, the stock is rated as highly risky on the TSX. Beta measures stock price volatility over a specified period with the market average sitting at around 1.

Retirees should pay close attention to the beta of a stock before investing because it is an indication of liquidity. Liquidity is essential for Canadians living on savings because a drop in the stock market has destroyed retirement plans in the past – and could likely happen again.

A good rule of thumb to use when deciding to invest in a stock approaching retirement is to avoid stocks with a beta of over 1. Only invest in dividend issuing shares with below market average beta.

There are many better options than speculative equities like Canada Goose, which have yet to report positive earnings.

Financial stocks win out on low-interest rates

Retirees should invest in Canadian banks like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Bank of Montreal** (TSX:MFC)(NYSE:MFC).

Not only do these banks offer dividend yields around 5%, but the price-to-earnings ratio on these stocks is also less than 10. Stocks are likely underpriced when the P/E ratio is less than 20. CIBC has even more to offer in that it is considered one of the most financially solvent banks worldwide.

Foolish takeaway

Canadians approaching retirement should avoid wasting their savings on speculative stocks with high betas, especially when they don't offer a dividend. Be sure to look for reliable dividend stocks with a low beta.

Pull up the dividend history. If, like the Bank of Montreal, the company has a safe track record of issuing quarterly dividends – trust it. Even if the stock market falls, at least you can be sure that your investments are generating an income during your golden years.

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