How to Diversify Your TFSA and Make it Recession-Proof

Description

If you're a long-term investor and actively use your Tax-Free Savings Account (TFSA) to achieve you investing goal, it's very important to diversify your portfolio.

One big advantage of taking exposure to different sectors of the economy is that you reduce the volatility in your portfolio and make it ready to perform better during tough economic times, such as recession.

One popular way to do that is to buy solid dividend-paying companies that are the leaders in their sectors with long histories of rewarding their investors. Adding such stocks will help your TFSA portfolio to ride through the volatility as you will continue to receive hefty payouts quarter after quarter.

Among the dividend stocks, companies that offer essential services and products, such as utilities, telecom operators, and retailers, top my list. One other area that many investors often ignore is real estate.

Real estate for TFSA investors

Owning and managing real estate assets is a difficult task for individual investors. In Canada, it's become even more difficult after a decade-long boom, which has made it almost impossible for young Canadians to buy properties.

For long-term TFSA investors, whose aim to build an income-producing portfolio, it's important to have some exposure to real estate, because this asset class produces returns that historically beat inflation and do well when interest rates are low.

One way to achieve this goal is to buy the shares of real estate investment trusts, or REITs. These instruments provide an easy way to become a shareholder in a real estate asset that gets managed by professionals.

Among the top Canadian REITs, I like **RioCan Real Estate Investment Trust** (TSX:REI.UN). RioCan is Canada's one of the largest retail REITs, which owns, manages, and develops retail-focused, mixed-use properties located in prime areas. It's composed of 233 properties, including 16 development properties, with an aggregate net leasable area of about 39 million square feet.

To deal with a changing retail environment where consumers are adopting e-commerce and avoiding visiting malls, RioCan is restructuring its portfolio by exiting Canada's smaller markets. The company is also increasing its footprint in Canada's strong residential market.

For TFSA investors, RioCan's consistent history of rewarding investors is the biggest attraction. At a time when the rates on the fixed-income investments are close to zilch, RioCan's consistently growing dividend is a great alternative.

Bottom line

If your investment objective is to earn steadily growing income, then it's very important to diversify your TFSA portfolio with the top-quality dividends stocks. You can buy power and gas utilities, telecom stocks, and REITs and earn a regular income stream, even if the economy is going through a rough patch.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/09/09
Date Created
2019/08/23
Author
hanwar