3 Lessons Learned From the Last Recession

Description

Would you be able to survive a recession? A lower savings rate means a terrible financial crunch during a recession. Many market analysts say that if Canadian households have only a 1.4% savings rate, it wouldn't be enough to endure hard times.

The financial crisis of 2008 taught investors valuable lessons. Learn from them to protect you from economic dislocation if a recession happens this year or next.

Put emphasis on risk factors

Imperial Oil (TSX:IMO)(NYSE:IMO) is a recession-proof, low-risk energy stock and a consistent dividend payer. First and foremost, this $25.3 billion company is a subsidiary of **Exxon Mobil**. In case you don't know, Exxon Mobil is one of the world's largest vertically integrated oil companies.

Just like Exxon, Imperial Oil has great prospecting ability to invest in growth projects that generate some of the industry's best returns on invested capital. And because Imperial Oil is integrated and not an oil producer, the company can maintain a steady cash flow amid declining or weak oil prices.

Although the dividend yield of 2.7% is on the low side for oil and gas stocks, the compounding effect of dividend reinvestment can boost your return in the long run. During a recession, you have to consider the risk factors. A reliable dividend stock with a low-risk factor is your best investment option.

Know your investment

There's no room for sophisticated investments during a recession. The business of **Brookfield Infrastructure** (TSX:BIP.UN)(NYSE:BIP) isn't hard to understand. This $16.8 billion diversified utility limited partnership owns 35 global infrastructure assets on five continents.

The company's principal assets are essential in significant industries. Its assets consist of electrical transmission lines, fibre optic lines, global ports, natural gas pipelines, railroads, toll roads, and

telecom towers.

Likewise, Brookfield Infrastructure's cash flow is stable. Nearly 95% comes from regulated industries as well as long-term, fixed-rate contracts. Further, the contracts have escalation clauses due to inflation.

Brookfield Infrastructure has steadily grown dividend distribution since its 2008 IPO. Choosing a recession-resistant stock that pays a decent 4.5% dividend yield is a no brainer.

No blind trust

You don't need to evaluate **Loblaw** ([TSX:L](TSX:L)) before buying the stock. You're investing in Canada's largest grocery retailer and one of the world's best-run grocery operators. The stock is the best supermarket and consumer defensive stock.

This $26.4 billion grocer would sometimes sacrifice the bottom line to make considerable investments in first-rate inventory control systems. But the stock didn't suffer that much as a result. On a year-to-date basis, Loblaw is up 19.18% and having a good run thus far. The 1.75% dividend is safe, too.

Loblaw owns powerhouse Shoppers Drug Mart. The company is optimizing the cross-selling potential between its in-store grocery store pharmacies and Shoppers house brands. Expect Loblaw to dominate the markets in Central Canada, Atlantic Canada, and Western Canada in the coming years.

Investors lost big in the last recession because of blind trust. But it's not blind trust when you invest in Loblaw. The company is a proven seller and highly patronized discount chain.

Stay invested but stay safe

Recessions are few and far between, but they happen. Don't be caught off guard. Take to heart the hard lessons in 2008 and invest in recession-proof stocks.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:IMO (Imperial Oil Limited)
5. TSX:L (Loblaw Companies Limited)

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