



Why Holding Weed Stocks in Your RRSP Could Destroy Your Retirement

Description

Marijuana stocks have been the **TSX** success story of the decade. At a time when Canadian stocks as a whole have delivered tepid returns, marijuana stocks have beaten the market by leaps and bounds, even when you account for their frequent downturns.

There's no denying that marijuana stocks can make you a lot of money when times are good. In the fall of 2018, **CannTrust Holdings Inc** (TSX:TRST)(NYSE:TRST) rose 112% in just a few months.

That's the kind of success story that marijuana bulls will use to justify their faith in big weed. However, you need to be aware of the other side of weed stocks as well.

Shortly after its huge fall rise, CannTrust began a long tumble that saw it fall 83% in under a year, which it still hasn't recovered from. Such slides are typical of weed stocks, which are among the most volatile TSX components.

If you're looking to make some risky bets in your TFSA for "fun," marijuana stocks may be fine. But if you're looking to make long-term investments in your RRSP, you need to stay as far away from weed as you possibly can. The following are two of the main reasons why.

Extremely high volatility

RRSP money is money you need, not money you want. Therefore, it's crucial that you *invest* in your RRSP, not gamble. Unfortunately, marijuana stocks are the perfect example of exchange-traded poker chips, with [levels of volatility that would make your jaw drop](#).

CannTrust, for example, has a three-year average beta coefficient of 4.62, which means it's more than *four times* as volatile as the market. If you buy a stock like that and panic sell on one of the inevitable downswings, you could find your retirement savings disappearing fast.

Uncertain future prospects

Another problem with marijuana stocks is their uncertain future prospects. Facing growing losses, [regulatory scandals](#) and a number of other problems, they have a rocky road ahead.

Here again, CannTrust is the perfect case in point. A few months ago, the company was found to be growing marijuana in unlicensed rooms, and had a hold put on 5,000 kilograms of its product.

Then, a few months later, Health Canada found even more unlicensed growing by the company, and placed further holds on its product.

Now, the Ontario Cannabis store is returning product to CannTrust, and some are even saying it may have criminal connections.

The above ordeal is a perfect example of the uncertain future marijuana stocks are facing. Legal marijuana is a totally new product category, and it's unclear how governments and regulatory bodies will respond to it.

It's quite possible that a wave of new taxes, regulations and investigations will make it nearly impossible for these companies to be profitable in the medium term. Things could also play out differently. But right now, it's looking like weed companies are in for continued pain.

What to buy instead

If you're looking for a good alternative to marijuana stocks to hold in your RRSP, consider blue chip stocks like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)). Having risen over 450% since the last recession, CNR has delivered impressive growth for an old, established company.

Although it can't match the returns you'll get from weed stocks in good times, the stock offers lots of upside for a "safe" blue chip.

It's very likely that CN's success will continue into the future. Railways are the most cost-effective way to ship freight by land, and CN is the only North American railway with access to three coasts. These and other factors give it an impenetrable economic moat, which renders it a perfect RRSP pick.

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