Recession-Proof Your TFSA With These 3 “Boring” Stocks

Description

Allow me to start with a controversial opinion.

I believe Canada is already in a recession. The numbers just won’t make it official until the early part of 2020.

All the warning signs are there. The yield curve has inverted. Manufacturing numbers are down. The unemployment rate — a backward-looking indicator, let me remind you — seems to have bottomed. And there’s a similar situation playing out south of the border, which will only make things worse for the Canadian economy.

If you don’t act today, large portions of your carefully invested dollars could evaporate. Fortunately for folks with a large amount of their investable assets in TFSAs and RRSPs, re-positioning your portfolio inside these registered accounts isn’t very painful. There are no tax consequences to worry about, just a few small trading commissions.

You don’t have to make drastic moves, either. An easy choice would be to sell a few of your big winners, high-beta stocks that are extra volatile, and use the proceeds to buy boring dividend payers that have a history of doing much better during periods of economic uncertainty.

Here are three stocks you’ll wish you’d bought today during the middle of the next recession.

Rogers Sugar

The sugar business isn’t very exciting, which is exactly what makes it a good recession-proof industry.

The sector is dominated by **Rogers Sugar** (TSX:RSI) and its only real competitor, Redpath. The government has restrictions on imported sugar, which means Canadian domestic sugar prices stay high. And sugar demand is relatively steady, even during times of economic weakness. All these factors combine to make Rogers a pretty sweet investment during a weak economy.

Sorry, couldn't resist.

The good news about buying today is Rogers shares are relatively cheap, thanks to a recent expansion into the maple syrup business that isn't working out quite as well as management hoped. Shares are trading at just 13.4 times trailing earnings. Analysts expect the bottom line will improve next year, with shares trading at approximately 12 times projected 2020 earnings.

And in the meantime, investors get to collect one of the best dividends out there. Shares currently yield 6.7%.

Algonquin

It appears bearish investors have already started buying **Algonquin Power and Utilities** (TSX:AQN)(NYSE:AQN) in preparation of an upcoming recession. Shares are up nearly 40% in the last year alone.

Algonquin has two different divisions, both of which should do will in a poor economic climate. The company provides power, natural gas, and water utility services to some 750,000 customers in Canada and the United States. This division of the company just acquired a major natural gas utility in New Brunswick. Algonquin also owns a number of power plants — wind powered mostly — that sell energy to various utilities.

The company continues to grow at a strong pace. The company is in the middle of a US$6 billion growth plan that will see it substantially expand the bottom line by 2022. And it continues to make smaller acquisitions, including buying power assets in Bermuda.

Finally, the stock pays a 4.2% dividend — a payout that should increase by 5-8% annually.

Empire

Empire Company (TSX:EMP.A), the parent company of grocery chains Sobeys and Safeway, among others, has done an excellent job transforming itself after the acquisition of Safeway didn't exactly go as planned.

Empire has cut costs, finally achieving some of the synergies promised on the eve of the big acquisition. Project Sunrise is well on pace to generate $500 million in cost savings. The company is also expanding its Freshco brand of discount stores into Western Canada after the concept has done well in Ontario. And the all-important same-store sales metric has rebounded nicely, increasing 2.4% in the company's most recent quarter.

Grocery stocks are well renowned for their relative outperformance during tough economic times, and Empire should continue this trend during the next recession. Shares also deliver a 1.4% dividend — a payout that has increased each and every year since 1999. Empire has quietly amassed one of Canada's best dividend-growth streaks.

The bottom line

The next recession could be particularly nasty. If you’re worried, it’s time to protect your portfolio. Sell your risky stocks and replace them with companies like Rogers, Algonquin, or Empire, the kinds of boring stocks that will minimize the damage.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:EMP.A (Empire Company Limited)
4. TSX:RSI (Rogers Sugar Inc.)

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