



Do Pot Stocks Belong in Retirement Portfolios?

Description

When crafting a stock portfolio for retirement, there are two major considerations. The first is finding adequate passive income, and the second is finding great long-term stocks that are stable, have low volatility, and can be relied on long term.

While this sounds exactly opposite of pot stocks, there are a few cannabis companies that could find a place in some investors' retirement portfolios.

For the past few years, cannabis stocks have been wildly volatile, earning some investors millions, while losing others a considerable amount of money.

Now that the industry has been around for well over a year now, and there isn't as much buzz around the stocks and therefore less speculation, the volatility has come down considerably.

Just recently, **Aphria** even opened the possibility for cannabis companies to begin to pay dividends soon, as it grows its free cash flow and no longer needs to invest all its capital in growth.

So, how can pot stocks be right for a retirement portfolio?

Not every investor is going to want to own [pot stocks](#), and those investors who do should keep them as a small portion of your portfolio, but the cannabis industry could represent a great long-term investment from here.

Although you won't make significant amounts overnight, after the major selloff the industry took last year, these companies are trading at attractive valuations when looking at a long-term investment perspective, so investors who have some room in their portfolios may choose to allocate it to a top long-term cannabis stock.

A company like **WeedMD** (TSXV:WMD), which has been very cautious with its business plan since day one, is the type of stock you'll want to be invested in for the long run.

Until now, it's been a tough balance for cannabis companies and their executives. The best approach,

if there were no competitors, would be to take a conservative approach to the market, but since there are a number of competitors, companies have been forced to make high-risk decisions to differentiate themselves.

This has hurt a number of companies that over-leveraged themselves, and it has left some of the companies that remained too conservative lagging behind.

WeedMD has been one of the better-balanced companies, and that's left it in an optimal position.

At a market cap of just \$150 million, the shares are trading at a massive bargain at the moment for a company with the number of opportunities that WeedMD has.

For starters, it's in a great financial position with a net cash position, giving it major flexibility that a lot of its peers don't have.

It also has its own in-house extract company, CX industries, which will be a major advantage, as the industry continues to evolve and edibles grow to become a major share of the market.

It has one of the lowest-funded capacity to enterprise value ratios, making it one of the cheapest cannabis stocks in Canada.

Furthermore, it also has its own retail company, Pioneer Cannabis, which will be key to its expansion. Currently, Pioneer operates a store in Burlington, Ontario, and the plan is to open a number of stores in the future, as the regulations in the industry are relaxed.

These major advantages and the position the company has put itself in will almost surely result in long-term success.

If you are looking for a pot stock that could return a lot to you in the short term, WeedMD is probably not your stock.

However, if you are willing to own the company long term and wait for major evolution in the sector, WeedMD could be one of the biggest winners in the industry.

For investors at or in retirement that may want some exposure, there is still a high level of uncertainty in the industry, so even if you do your due diligence and are investing for the long term, it's still advised to only allocate a very small portion of your portfolio to cannabis stocks.

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