Retirees: Beat a Canadian Bear Market With This RRSP Stock

Description

What makes a recession-proof stock? There are a few qualities that really stand out, such as reliability of payments, a rich yield, and peace of mind. Low-maintenance stocks with yields above 4% are also perfect for retirement plan contributions.

Retired Canadians have a range of tools to use and a diverse spread of low-risk dividend **TSX** stocks to pick and choose from to grow wealth even in a bear market.

One great stock that sometimes gets overlooked despite having all of these qualities is the Big Five banker, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

Today we're going to look at why it's a suitable buy-and-hold, downturn-resistant assets for long-term investors looking to feather a retirement nest.

While banks are cyclical, meaning that their performance is tethered to the broader economy, CIBC is reliable, healthy, low risk, and could benefit from a potential interest rate cut this year.

While its dividend is the richest of any of the Big Five banks of Canada, its payments are also steady and well covered, making for an ideal retirement stock.

By keeping up with a Registered Retirement Savings Plan (RRSP) and other savings plan contributions, a cautious investor can meaningfully supplement a pension plan.

And by adding stocks like CIBC that display good value and a combination of growth and income, the foundation for a passively rewarding retirement plan can be laid once and forgotten about.

A strong play for value and income

CIBC is cheap, trading 34% below fair value at writing. With a track record that spans over a century-and-a-half, retirees have a low-risk buy that packs peace of mind with over 2% annual earnings growth and a solidly reliable 5.36% dividend yield. That's higher than any other Big Five yield.

There's another reason to buy bank stocks right now: With the possibility of a rate cut, shares in the Big Five could go up in price as customers flock back into the credit market.

Making it easier for people to get a mortgage would likely prove wildly popular at the moment, and banks could clean up as a result. That's just one reason why it makes sense to buy those shares now and lock in higher yields.

While there is no such thing as an entirely safe stock, stashing CIBC shares in a long-range portfolio adds some of the defensiveness of a blue-chip Bay Street bank to a basket of income assets.

As banks are one of the mainstays of the economy, even a big downturn shouldn't render them inoperative, and any Big Five member is likely to bounce back in time.

The bottom line

With a rich yield and that Big Five invulnerability, CIBC is one to buy and forget. It's a low-maintenance purchase as well as good value for money.

In the absence of a full-blown recession (and the indications are that Canada will avoid the worst), CIBC is likely to keep on chugging away for years to come. With the possibility of a rate cut on the way, CIBC could see additional growth in 2020.

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