Baby Boomers: Has This Market Crash Put Your Retirement At Risk?

Description

For millennial investors, a market crash is an opportunity to load up on cheap stocks. It's a whole different story for baby boomers.

Older investors must constantly balance their need for total returns with the risk of a market crash. This usually involves a healthy bond component in a portfolio, but some baby boomers choose a different path. These folks might be behind on their retirement savings, which means they need to maximize total returns. As well, they want the excess returns offered by only owning stocks, and are now panicking as their portfolio implodes around them.

Whatever the reason, baby boomers need to be extra careful during a market crash. Here's a strategy older investors can use to protect their portfolios — before it's too late.

Market crash protection

The solution to a plunging portfolio is simple. It's time to add some conservative assets into the mix.

There's just one problem. All of the traditional "safe haven" assets have already performed well. Bond yields are sitting at record low levels, and every piece of bad news seems to send bond prices higher.

GIC rates are still okay, but you'll have to lock in your money for years to get a half-decent return. The only real solution left is buying conservative stocks, albeit bargains are few and far between.

One idea would be to hide out in Canada's leading grocery stocks, which tend to perform well during market crashes. This is interesting because unlike bonds, GICs, or other fixed income instruments, grocery stocks should provide a little upside when the wreckage clears and stocks rebound higher again.

There's just one problem. Is there any point of selling at what could be the bottom if your portfolio is already decimated?

Such a move could easily backfire if these stocks are replaced with overvalued conservative assets, which means baby boomers must take a slightly different approach.

Conservative stocks with upside

The solution to protecting an already damaged portfolio during a market crash is to put your cash to work in conservative stocks that still have considerable upside potential.

It's not easy to find such names. There are many cheap stocks out there, and most should rebound nicely when the market rallies. But these inexpensive companies can easily become cheaper if more bad news dominates headlines.

One conservative stock that still has considerable upside potential is **CT REIT** (TSX:CRT.UN), the owner of more than 350 retail buildings spanning some 27 million square feet of gross leasable area. **Canadian Tire**, one of Canada's most dominant retailers, is the primary tenant. Other Canadian Tire brands — like Marks and Sport Chek — are also big tenants.

CT REIT has numerous long-term growth avenues. It can acquire Canadian Tire-anchored buildings from other landlords. It can buy buildings Canadian Tire itself already owns or it can put redevelop existing properties, adding additional real estate to underutilized locations.

This growth potential is combined with only a small decline while overall stock markets have been crashing. That's exactly what conservative baby boomer investors should be seeking.

CT REIT also pays a pretty generous dividend while investors wait for a recovery — a payout easily covered by earnings. The payout ratio is approximately 75% of adjusted funds from operations.

Earnings should remain consistent as well, as well-located Canadian Tire stores aren't going to abandon good leases just because the economy stinks for a quarter or two. The yield currently stands at 4.9%, and the payout has been hiked six years in a row.

The bottom line

The time to act is now, before more of your precious cash is evaporated due to the ongoing market crash.

It's especially important for baby boomers to start getting a little more conservative. And, as a bonus, stocks like CT REIT will also provide a nice income source during your retirement.

CATEGORY

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