Not Retiring Soon? Then This Selloff Has Been a Gift

Description

The market action in the past few weeks has been unprecedented, to say the least. With a very real possibility of a recession hanging over our heads, equities have more or less given up all the gains they've made in the past year. However, if you're a few decades out from retirement, the recent selloff might prove to the best buying opportunity in years.

Despite the noise, stocks are still the best way to save for retirement

If you're young, time is on your side. Without a need to rely on your portfolio as a source of income, you can readily start moving into the market and slowly dollar-cost average your way down. That means buying little bits at a time and accumulating a large position over time. As of writing, most stock indices are trading in bear market territory, and given the velocity of the recent selling, they are more than overdue for a bounce.

To put things into perspective, if you had bought stocks each of time the markets sold off 20%, here's how you would have fared. In December of 2018, the TSX was trading at 13,770, down from 16,600. By January of 2020, it had 17,930, or a gain of 30% from the trough.

During 2008 — one of the worst financial crises the world had ever faced — the TSX fell from 14,800 to the 8,000 level, or a 46% drawdown. If you had bought it after a 20% selloff in the 11,800 range, you would have been 10 months early from the bottom, yet just two-and-a-half years later, the TSX returned above the 14,000 level.

In other words, stocks tend to go up over time. The world's economy also tends to go up over time due to greater productivity, capital spending, education spending, healthcare, and, of course, technological advancements. Monetary and fiscal policy tools have advanced, and our understanding of market corrections and their remedies have also increased.

Another example can be found south of the border with the S&P500. If you had started with $10,000 in

March of 2008 and invested just $100 every month, by March of this year, you would have annualized a return of 8.7% over the past 12 years — trouncing bonds and cash.

So, I guess the next decision is determining the assets to buy, since everything seems to be on sale.

I would focus on stable blue chips that have proven to survive through multiple financial and economic crises. A name that should be everyone's watch list is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), one of the world's largest quick-service restaurant operators with over 24,000 restaurants across the globe.

As of writing, QSR's stock is trading 43% below its all-time highs, but that's not the only thing that's appetizing about this name; QSR is also the parent company of brands like Tim Hortons, Burger, King and Popeyes, which obviously need no introduction. With an excellent balance sheet and staying power, QSR is a company that has outlasted many market downturns and will continue to do so into the future.

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