Retirees: If the Market Crash Has You Worried, Do These 3 Things

Description

Market corrections or full-blown meltdowns are a significant source of frustration and fear for many investors, especially for those nearing retirement and retirees. For Canadian retirees, an economic downturn can make a substantial difference in retirement income.

In the event of a market crash, most investors tend to sell all the shares they own to move to alternative assets that are insulated from the crash. Unfortunately, the low-rate environment is forcing even retirees to take on more risk, so they can earn adequate income to see them through retirement.

Canadian and United States markets enjoyed a slight rebound on March 10, 2020, from the ensuing market crash. At writing, the market pullback is even worse. As a retiree, I am sure you might be worried because of the market crash. Here are some actionable tips you can follow to preserve your financial security.

Re-evaluate your assets and free up cash

The first thing you should do in the event of a market correction is to re-evaluate your portfolio to move towards more conservative assets. Moving your investment from high-risk equities to more stable alternatives is a challenging task in today's economic environment.

The downturn has also ravaged government and corporate bonds. Due to inflation, the bonds that do offer stability cannot help your investments keep up with rising costs. You need to take your time and recognize the most at-risk equities in your investment portfolio.

Once you identify them, it is time you sell your shares of those companies and free up funds for better investments.

Check your cash savings

You also need to check your cash savings. While we always anticipate market crashes, nobody can accurately predict when they happen. Most investors are never prepared when the downturn takes place.

It would be best if you have a good portion of surplus cash as a retiree. Check your cash reserves and consolidate the currency. You can use the money to purchase income-producing assets at a discount that can see you through a recession and grow in value as markets recover.

Invest in low-risk, dividend-paying stocks

Use the cash from your reserves and what you get from freeing up your portfolio from high-risk equities to your advantage. The market crash is an opportunity for you to invest in shares of high-quality companies at a discount.

Seek out a stock that can weather the storm of a recession better than most. The telecommunications industry can bear a market downturn well due to its business model. Telecom is a service integral to our lives. No matter how bad the economic situation gets, people still need their internet and phone services to get information.

To this end, I think **Telus** (TSX:T)(NYSE:TU) could be an ideal stock to consider. At writing, the S&P/TSX Composite Index is down by 16.55% from the start of the year. Telus, however, is down 6.23% in the same period.

Trading at $47.27 per share, the stock offers its shareholders a juicy 4.93% dividend yield. It is a top defensive pick from a recession-proof industry. Its main driver for success will be its transition to 5G. The company's top line keeps improving with growing customers and a lower churn rate. It is still earning a stable income, and that makes it a solid long-term bet.

The Telus stock does not just offer its shareholders a juicy dividend yield. The company plans to increase its dividends regardless of the crash annually by 7-10%. It has an ongoing 16-year dividend-growth streak and a 10-year growth rate of 9%.

Foolish takeaway

Re-evaluating your assets without panicking and using your cash reserves to invest in low-risk dividend-paying equities is a viable option for retirees to protect their funds from the ongoing market crash.

Telus could be an ideal investment, because it historically outperforms the TSX in harsh financial environments due to its business model. I think allocating some of your cash to Telus shares could be a fantastic starting point for building an income-producing recession-proof portfolio for retirees.

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Date
2025/08/21
Date Created
2020/03/18
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