Retirees: 3 Ways to Rebuild Your Pension after a Market Crash

Description

The transformation of coronavirus into a pandemic and subsequent epic oil price drop has crashed the stock markets all over the world. The S&P/TSX Composite Index stooped 10.3% in a single day last week. It has been the biggest one-day drop for the last 33 years, resulting in losses of $218 billion.

This market crash might have affected your pension/savings/investments as well. Instead of going all despaired and dejected, you should start work on re-building your pension. Here, I am going to suggest three ways that can help you in recovering from this hard blow.

Re-evaluate holdings

When a market crashes, it affects every type of investment in one way or the other. However, some options are more vulnerable to these drops. In the current context, oil stocks have become too risky for now. If you have invested in such stocks, it might be time to re-evaluate your holdings and invest somewhere else.

Decrease spending

It is also essential to decrease your spending to offset the effects of a market crash. You have many avenues to cut back costs as a retiree. You may no longer need the two cars, so think about selling one of them. Also, re-evaluate your insurance policy if your house is paid off and your kids have grown up. And make the most of senior discounts to keep your recurrent expenditures in check.

Buy dividend stocks

Holding a dividend stock can be a good strategy to hedge your bets against a market crash, mainly if it is a Dividend Aristocrat. A good dividend payout somewhere helps you in minimizing the effect of dropped stock prices. Also, Dividend Aristocrats have a better chance of recovering from the market crash than other stocks.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD), one of the Big Five and the second-largest lender in the country, is an excellent example of a Dividend Aristocrat. Although experts think that Toronto-Dominion might struggle with the other four big Canadian banks this year, there are some sound reasons why it could be a relatively better dividend option on the TSX.

Toronto-Dominion's outlook has improved in the last couple of years due to its expanding operations in the United States. It earned nearly 40% of its net revenue south of the border last year. This year can also bring good fortune to the bank from the U.S., as the country is expected to witness higher GDP growth than Canada.

Canada's housing market is also expected to recover from the slumber. If that happens, it will also grow Toronto-Dominion's earnings. The bank is currently paying its investors with a yield of 4.60%. The market crash has hit the stock price of Toronto-Dominion bank. However, it is still trading over $60 and already recovered from $57.38 of the Monday crash. Experts think that TD stock has seen the worst of the crash and might not drop any further.

Conclusion

You can't stop the market crash, but you can save your pension by making smart decisions. Re-evaluate your holdings and take out money from the risky investments. Also, cut down your expenses and try to invest in dividend stocks with sound market footing and history of payouts.

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Date
2025/08/25
Date Created
2020/03/18
Author
jhoang