Retirees: Do This to Protect Your RRSP From the 2020 Stock Market Crash!

Description

As the 2020 stock market crash drags on and on, it's becoming clearer than retirees need to work to protect their assets. Not only are RRSPs being hit by the downturn, but many employers' pension funds are too. Put simply, a lot of peoples' retirements are in jeopardy.

We're hearing many stories about people reacting to the stock market crash by not looking at their RRSP balances. That may provide comfort, but it's not the solution. Instead, you need to look at your RRSP more closely than ever, and consider re-balancing it. The following is one way to re-balance your RRSP portfolio to avoid getting burned.

Move into utilities

Utility stocks are the go-to equities for recession-wary investors. Providing ultra-safe, dependable income, they're often considered bond alternatives with more upside. Like bonds, utilities offer very stable income streams. Unlike bonds, they have considerable upside when times are good. This makes them the best of both worlds: a safe investment for bad times, with upside for good times.

Evidence that utilities are safe

As evidence for the safety of utility stocks, we can point to **Fortis Inc's** (TSX:FTS)(NYSE:FTS) performance in 2008 and 2009. In 2008, the company grew earnings by 27% over 2007; in 2009, earnings grew by $17 million over 2008. As a result of this earnings growth, Fortis was able to increase its dividend for two years in a row. It's this kind of stability that makes utilities great investments in economic downturns.

If you're looking for a utility stock to weather this economic storm, there are three solid reasons to consider Fortis. First, its stock performance has been strong, having out-performed both the TSX and the TSX utilities sub-index over the last five years.

Second, it has increased its dividend every year for 46 straight years – one of the longest dividend growth streaks on the TSX. Finally, it has a geographically diversified asset base, spanning Canada, the U.S., and the Caribbean.

These qualities make Fortis one of the best utility stocks in Canada. While the company does have a very large debt burden, that’s normal for utilities, whose earnings stability is unmatched. Utility investors know that they can depend on steady cash flows, so they’re more willing than most investors to tolerate debt.

Over the next five years, Fortis will be making $18.3 billion in capital expenditures. This spending will increase debt even more, but will also increase revenue. If the expenditures work out, we should see even more dividend growth from Fortis.

Foolish takeaway

There are many opportunities to make money in today’s market. Some smart people are making contrarian bets on airline stocks and hotels. I think that will work over the long term, but it will be a volatile ride in the interim. Probably not the best bet for retirees, who are more interested in preservation of capital. If you’re a retiree with RRSP anxiety, I’d recommend a diversified portfolio of bonds and utility stocks. By far the safest combination for tough times.

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