Retirees: How to Build RRSP Wealth in the Current Bear Market

Description

If you have an RRSP, there's a good chance you've seen its quoted value decline over the past few weeks. With coronavirus and oil prices weighing on stocks, we've officially entered a bear market. Across the country, portfolios are bleeding from the one-two punch they've been dealt.

It's a stressful time, there's no question about it. However, that's no reason to sit on cash. As you're about to see, by buying investments now, you can watch them rise far more than if you'd waited for a bull market. Of course, you still need to be careful. Not all stocks are going to bounce back from the bear market quickly. However, many will.

With that in mind, the following are two strategies you can use to choose investments for the current bear market.

Low-risk strategy: buying recession-resistant assets

If you're like most retirees, your risk tolerance probably isn't high. Younger investors have plenty of time to wait for gains on volatile assets. Older investors? Not so much. As you head into retirement, income and preservation of capital become the orders of the day.

If the above describes your situation, then you'd be well advised to buy recession-resistant assets like bonds and utility stocks. Bond funds like the **BMO U.S. Corporate Bond Fund** provide steady income that isn't affected too much by stock market downturns. By buying bond funds, you can build up steady RRSP income even in a bear market.

Utilities like **Fortis Inc** (TSX:FTS)(NYSE:FTS), on the other hand, *are* affected by stock market downturns. Their shares do tend to slide when the stock market does, as stocks move together as a group. However, because utilities have ultra-stable revenue, their *dividends* aren't overly affected by bear markets. This means they can make great dip buys in times like these.

Fortis in particular managed to increase its earnings in 2008 and 2009, when the great recession was ravaging most companies. It also increased its dividend in both of those years. In fact, Fortis has increased its dividend every single year for the past 46 years

. This track record is unmatched on the TSX, and a perfect example of how utilities tend to out-perform in bear markets.

High-risk strategy: buying beaten down stocks on the dip

If you have a little more appetite for risk, another strategy you can consider is buying beaten down stocks on the dip.

Travel stocks like airlines, hotels, and cruise lines have been getting decimated recently, thanks to their operations being halted. These companies *will* lose money, but the bleeding won't last forever. When coronavirus passes, these companies will get back to business as usual, and rise dramatically in the process.

For those who can stomach a few losing quarters, it may be wise to buy such stocks now. However, it should be mentioned that this is a high-risk strategy that hinges on the pandemic being resolved soon. For retirees who are depending on their RRSPs for income, a much less risky strategy is preferred.

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