RRSP Investors: This Market Crash Is Your Chance to Retire Wealthy!

Description

Over the past few weeks, Canadians have seen their RRSP balances decline thanks to a bear market that's sending stocks into a death spiral. While no data on average RRSP losses is available, the **TSX** is down 37% since February 19.

Most likely, the average RRSP portfolio is down less than that, as most investors hold a mix of stocks, bonds and cash. However, it's clear that most Canadian investors have seen the equity portion of their RRSPs decline recently.

That's all the more reason to stay the course.

While it's always scary to see your investments decline, bear markets are the best times to buy. With stocks cheaper than were a month ago, they're set to soar the minute the coronavirus panic is over. Nobody knows when that will be, but the bull market that comes afterward will be unprecedented.

Stocks are getting cheaper than before

One undeniable fact about this crisis is that we're seeing stocks get much cheaper than they were before. In terms of raw prices alone, Canadian stocks are down 37%. They're also down relative to earnings.

If you look at **Air Canada** (TSX:AC)(TSX.AC.B) for example, it was trading at just 2.73 times earnings at market close Tuesday. That's one of the lowest P/E ratios we've seen on a major TSX stock in a long time.

Of course, AC's P/E relative to *forward* earnings is almost certainly higher. We've already seen enough flight cancellations this year to hit AC in the pocketbook–and who knows how much longer they'll go on.

However, even if this year's earnings are 50% lower than last year's, we'll have a P/E of just 5.5 based on today's stock prices, which is still extremely cheap.

Not all stocks will be affected

Stocks like Air Canada will bounce back from this crisis sooner or later — that's one piece of good news. An even better piece of news is that some stocks won't likely be affected much in the first place.

While non-essential businesses are shutting down, essential businesses are still open, including grocery stores, pharmacies, railroads and real estate firms. Stocks in these industries could be good buys.

Fortis Inc (TSX:FTS)(NYSE:FTS) is a great example. Down 21% since March 6, it has fallen much less than the TSX. However, it's still fallen enough to give it a super low 12.5 P/E ratio.

Fortis is one of those businesses that's perfectly positioned to thrive in the current environment. As a utility, it's unlikely to lose money as a result of the crisis. Heat and light are among the basic necessities of life, similar to groceries.

As a result, customers will keep paying for them even when times are tough. While many people are feeling the financial squeeze right now, enough government aid will be coming through to keep the lights on nationwide. The same is the case in other regions in which Fortis operates, such as the U.S. and the Caribbean.

In the 2008/2009 financial crisis, Fortis managed to increase its earnings for two years in a row. It was a testament to the power of utilities to drive shareholder value in tough economic times. It's also a solid reason to consider holding FTS in your portfolio today.

CATEGORY

1. Coronavirus
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2. TSX:AC (Air Canada)
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Date
2025/09/16
Date Created
2020/03/25
Author
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