



Ray Dalio: The Next 5 Years Are Gonna Be Tough for Investors

Description

Ray Dalio is a renowned veteran hedge-fund manager who believes the next five years will become quite tough for investors. Dalio is not someone you could consider a radical idealist, but some of his words call for rethinking capitalism's norms and changing it to make things fair for everybody.

He believes that the current capitalist system is not working out, and it could lead to increasing difficulties for Americans in the future. I will discuss Dalio's prediction for a rough five years, how it can affect investors here in Canada, and what you can do to prepare for the headwinds.

Unfair division of the pie

Dalio is the founder of Bridgewater Associates, the largest hedge-fund firm worldwide. He has used the capitalist system to become a billionaire. He believes that the capitalist system is an ideal way to expand economic growth and improve living standards. According to Dalio, "Capitalism and capitalists are good at increasing and producing productivity to increase the size of the economic pie."

The problem is that capitalists do not distribute equal shares of the broader economic pie. Instead, there is an ever-expanding [gap in wealth and opportunities](#), threatening the entire system. He believes that unless the U.S. takes actionable steps to repair the system – and provides greater opportunities to everybody — it could result in dire consequences for the country.

Dalio has said, "There is a money and credit cycle problem, a wealth and values gap problem, and an emerging great power challenging the existing dominant power problem."

How could it all affect you?

The United States' relative position in the world essentially places it as a leader. With all the issues plaguing it, the United States could see itself decline drastically in the coming years. The overall effect on its economy, its markets, and the companies operating in the country could deteriorate as people worldwide lose trust in its system.

If the U.S. dollar loses its position as the world's reserve currency, it could instill significant uncertainty in investors down south and here in Canada. Canada could also see a volatile economic landscape that resembles — if not mirrors — the U.S. economy.

Preparing for uncertainties

I can't predict when the issues will begin creating a more challenging environment for investors in the U.S. and Canada. However, I believe that the pandemic has shown everybody the importance of securing your capital during times of uncertainty. If you are worried about Dalio's prediction coming true, I would advise [reconsidering your position in vulnerable investments](#).

My best bet is to go for non-cyclical stocks that belong to essential sectors like utilities. **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is a staple in various investor portfolios. Many investors consider it a permanent fixture in their investment portfolio for its reliability and stability through challenging economic times.

As economic situations worsen, people try to cut down all unnecessary spending. However, they never stop spending money on essentials like their utilities. Fortis is among the top utility companies in Canada and can practically guarantee its cash flow throughout economic crises.

The company relies on long-term and highly regulated contracts for most of its income. It means that Fortis can continue generating revenue and providing its investors with returns, no matter how bad things become. With a track record of growing its dividends for 46 years without interruptions, Fortis can continue its run through the challenging years ahead.

Additionally, Fortis expects its base rate to increase at a compound annual growth rate (CAGR) of 6.5% by 2024. It predicts its annual dividends to grow at an average of 6% in the next four years.

Foolish takeaway

With all the events of 2020 letting us know that it is wise to be prepared for the unknown, it would not be a surprise if we see challenging times ahead in the next five years. Protecting your capital through safe investments like Fortis could be essential for your financial well-being through the storm.

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Date

2025/09/13

Date Created

2020/09/24

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