Canadians Are Alarmingly Over-leveraged in 2020

Description

The governor of the **Bank of Canada** revealed that Canadian households are too over-leveraged during this critical time. The financial risks created due to COVID-19 are making the situation increasingly dire in combination with several factors. As consumer debt rises to levels that we have never seen before, the economy could be in a very precarious position.

Today I will discuss some of the alarming factors you should be aware of and how you could consider investing in **BCE Inc.** (TSX:BCE)(NYSE:BCE). It is a stock you can use to protect your capital as the conditions get even worse and lead to another housing market crash.

Historically low interest rates

The Canadian housing sector has remained a favourite long-term investment for Canadians. The valuations keep rising, and investors can rely on residential real estate to earn significant long-term returns. Unfortunately, Canadians do not shy away from taking out mortgages that they might not be able to afford so they can purchase those houses.

Despite the weakened earning ability, Canadians are still busy buying houses. The low interest rate environment is giving rise to increased market activity. There is consistent speculation that prices will keep rising, and investors want to cash in on the low interest rates.

More vulnerable to economic shock

The increasing household and business debt are already growing at an alarming rate. The low interest rate environment is heating up the housing market, and the historic federal spending could massively increase the national debt.

The major financial institutions are yet to introduce changes to policies that can help curb the problem. Raising the rates could stunt the economic recovery, and the banks could be relying on other policy makers to contain the growing risks. With half of all Canadians almost entirely broke, another round of closures could set off a ticking economic time bomb.

Protect your capital

It’s no secret that a market crash is hard to predict. But when it happens, it could decimate your capital by driving down your investment portfolio’s valuation. You should consider investing in the shares of companies that can protect your capital through periods of uncertainty and provide you with long-term returns.

A stock like BCE Inc. could be an ideal addition to your portfolio for this purpose. BCE is one of the biggest telecom sector operators in Canada. It is also a top pick for investors who want reliable and steady dividends that are not heavily impacted by economic turbulence in the market.

BCE has a wide competitive moat in the Canadian telecom sector. Its world-class wireless and wireline network provides internet, mobile, and TV services to millions in the country. The company invests heavily in its infrastructure to ensure its top position in the industry, and it has a lot of growth potential thanks to the rollout and expansion of 5G.

The stock is trading for $55.70 per share at writing and pays a juicy 5.98% dividend yield that it can finance through its reliable income.

Foolish takeaway

The economy is becoming increasingly fragile in Canada. The average household debt is rising to alarming levels. You should take measures to protect your capital from the repercussions of the economic conditions. Investing in the BCE stock could provide your portfolio with a significant level of protection.

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