



## TRUMP vs. BIDEN: In This Election, Canadians' Money Is at Stake!

### Description

The 2020 U.S. election is just a week away. And the outcome will impact Canadians almost as much as Americans. While Canadians aren't directly governed by U.S. policies, we are indirectly impacted by them — especially in the realm of money.

The U.S. is Canada's largest trading partner. That means that a lot of Canadian companies make money by selling goods to the United States. When the U.S. economy grows, it can lead to growth in your RRSP or any other investment account you have. Even if you *don't* invest, you could be impacted in various ways. For example, if the U.S. dollar gains vs. the Canadian dollar, you may have to pay more for electronics.

What this means, quite simply, is that your money is on the ballot in the 2020 U.S. election. In this article, I'll explore some potential ramifications of that fact.

### How the election could influence the stock market

The biggest way that the election could impact Canadians' money is by impacting the stock market. The vast majority of retirement plans in Canada are funded by stocks and bonds. That includes your RRSP, the CPP, and employer-specific pension plans. If you invest yourself, you're probably aware of how much of your money comes from the United States. If you don't, then know that a lot of your retirement income will ultimately be coming from U.S. investments and investments in Canadian companies that export to the U.S.

Having established that, how exactly could the election influence the stock market? There are many ways — some unknowable; the others knowable. Two of the biggest are

- Trade: Trump is a trade hawk, who frequently puts tariffs (taxes) on foreign countries' imports. He has done this to Canada several times — most recently on aluminum.
- Taxes: Biden has said that he will raise the U.S. corporate tax rate from 21% to 28%.

Trump's trade policy is bad for Canadian exporters and transportation companies. Biden's tax policy

will reduce the after tax earnings of U.S. stocks. If you hold mostly Canadian stocks, a Biden win should have relatively little impact on your portfolio. A Trump win could but isn't guaranteed to. With U.S. stocks, the matter is more complicated. Biden's tax plan should theoretically reduce corporate earnings, but **Goldman Sachs** says that he would benefit the economy more than Trump would. Overall, it's a mixed picture.

## Which industries are safe?

While you can't totally avoid the impact of the election on stocks, you can buy stocks that are less vulnerable to it. Namely, by buying shares in Canadian companies that only do business in Canada. These companies' earnings aren't dependent on what happens in the States. So, they are less vulnerable to the U.S. election outcome.

Case in point: **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)). It's a Canadian telco that operates exclusively in Canada. Its corporate website provides no indication of any U.S. operations, and its second-quarter earnings release mentions no U.S.-source income. This means that the company should be relatively unaffected by the election outcome. It may *purchase* some items (equipment, etc.) from U.S. suppliers, but its main infrastructure supplier, **Ericsson**, is a European company.

Overall, this is about as Canadian a company as you can get. If you're looking for stability amid a turbulent U.S. election season, that's a desirable trait. But the company has seen its earnings decline because of the COVID-19 pandemic. That's something to keep an eye on. But it's a resilient long-term telco stock with ultra-dependable revenue and a long track record of dividend increases. It's a worthy dividend pick in any market.

### CATEGORY

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**Date**

2025/08/22

**Date Created**

2020/10/26

**Author**

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