Retirees: 3 Investment Mistakes You Must Avoid

Description

There’s a good chance that the COVID-19 pandemic would have delayed retirement plans for several Canadian seniors. Though the stock market has made a stellar recovery since March, Canada is struggling with high unemployment rates, lower consumer spending, and rising healthcare costs.

These extraordinary times have resulted in a volatile stock market. No one is quite sure how things are going to unfold especially as COVID-19 cases are on the rise once again.

Investors might feel the need to guard against these market fluctuations. However, there are common mistakes that should be avoided right now.

Exiting the stock market

If you are closer to retirement age, you might be tempted to sell stocks in your portfolio and exit the equity markets entirely. The market recovery has surprised analysts and experts while some economists are of the view that the rebound is unsustainable given the structural issues impacting global economies.

However, it is better to think twice before withdrawing funds from your retirement account. While it’s ideal to buy the dip and sell when markets peak, it’s impossible to time the equity markets. Further, pulling out investments at the wrong time could cost you dearly; you need to focus on a strategy where you bet on quality companies with huge economic moats.

In the long term, quality companies are well poised to weather macro-downturns and emerge stronger from a crisis.

Retiring when you are not prepared

The ongoing uncertainty might be tempting for several Canadians to postpone their retirement plans. However, this means you will withdraw the money from your retirement account in a market downturn when stock valuations are depressed.

So if you decide to retire and the stock market undergoes another crash there is a chance to lose a significant amount of savings.

Putting investments on hold

Savings for your retirement is a long-term play where you need to disciplined and focused. So, it does not make sense to pause your investments at a time when markets are volatile, which might be counter-intuitive.

Consistently investing for retirement should remain a priority to benefit from compounded gains. You can in fact double down on your investment when the market undergoes a correction and pick up top stocks at a lower valuation.

Retirees can look to buy stocks such as **Fortis** (TSX:FTS)(NYSE:FTS), a utility company with an attractive dividend yield of 3.7%. Fortis is one of the largest utility companies in North America and over 80% of its annual sales are protected by regulatory mechanisms or from residential sales, largely insulating it from COVID-19 related headwinds.

Fortis managed to increase adjusted earnings by 2% to $0.56 in the second quarter. The company's earnings were positively impacted by a strong rate base growth of its regulated utilities and higher retail sales at UNS Energy. This was offset by lower earnings in the Caribbean due to a drastic fall in tourism activities in the region.

Fortis is a Dividend Aristocrat and has increased its payouts for 46 consecutive years. With over 3.3 million customers in North America and a steady stream of cash flows, it remains a solid dividend bet.

The company aims to increase dividends at mid-single-digit rates in the upcoming years indicating its balance sheet strength and recession-proof business.

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