



RRSP TIP: Follow Warren Buffett's Advice and Load Up on This Canadian Stock!

Description

Those with Registered Retirement Savings Plans (RRSP) ought to consider following what Warren Buffett has recently done. The Oracle of Omaha has recently added exposure to one of the best Canadian stocks out there right now: **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

Here's why I think this is one of the best portfolio additions for those with RRSPs right now.

Hedging is more important than ever

Valuations across the board are now bordering on ridiculous. Financial markets have placed a much heavier value on the growth potential of companies. The risk premia for stocks has increased to a degree I did not expect. Accordingly, the downside risk for stocks right now is extremely high. We're nearing valuations not seen since the dot-com bubble burst. Investors have reason to believe a market crash is on the horizon. Therefore, hedging a portion of one's portfolio certainly seems like a prudent move. At least, Warren Buffett seems to think so.

The idea of "[being fearful when others are greedy](#)" holds true more than ever today. Having exposure to gold or other counter-cyclical assets is a great way to hedge one's portfolio. Any investment that goes up when the market crashes helps to smooth out returns over time. Gold, and gold miners specifically, have also provided very reasonable long-term rates of return for those with long investment time horizons.

Warren Buffett's overall exposure to Barrick is small. This exposure has also been reduced recently, so investors should take notice of this. That said, the fact that Buffett did choose to hedge his portfolio last year sends a bearish signal to all value investors out there. I think it's important for every long-term investor to consider this.

Gold miners are still drastically undervalued

Gold miners in general continue to be undervalued relative to where gold prices are today. The price of

gold is climbing once again, looking to test all-time highs seen last year.

That said, the price of gold mining stocks relative to the price of gold continues to be at their lowest historically in around three decades. This provides an interesting value trade today for investors so inclined. I think we could see a retrenchment in the value trade in the months and quarters to come. If we see value stocks outperform, companies like Barrick could do very well.

Bottom line

I think there's a lot to like about Barrick right now as a core RRSP holding. This is a stock with excellent upside potential based on current fundamentals. Gold bulls who, like myself, think gold is headed a lot higher, greatly benefit by owning stocks like Barrick.

This company also is expected to continue increasing its dividend distributions as cash flows skyrocket. This is a stock with so many catalysts behind it, there is really no reason to be bearish on its potential.

If it's good enough for Warren Buffett, it's good enough for anyone's RRSP.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

POST TAG

1. Gold
2. market
3. market crash
4. recession
5. recession proof
6. value investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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1. Business Insider
2. Koyfin
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Date

2025/08/13

Date Created

2021/01/09

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