Stock Alert: Stash Your Cash Out of Harm's Way

Description

Canada's economy is still suffering from the ill-effects of the global pandemic. The **Toronto Stock Exchange** (TSX) tanked in mid-March 2020 but bounced from the severe downturn. As of March 29, 2021, the TSX is 44% higher than a year ago, and the index is up 7.38% year-to-date.

COVID-19 is very much around heading into the second quarter of 2021. The resurgence of infection cases could undermine the TSX's incredible comeback from the pits. Risk-averse investors prefer to hold cash because it's the safest investment. While the level of risk is very low, hard cash loses value over time.

Safe but riskier in the long run

Cash is indeed the king in the coronavirus world. Many investors must have sold their bonds or stocks when the health crisis broke out to raise cash. Gold is a safe haven, but not everyone could buy physical gold. While holding cash offers instant liquidity, it has drawbacks too.

If you're chasing after long-term financial goals, cash will not cut it for you. In such an instance, it's far riskier than you think. Should the inflation rate rise, your purchasing power shrinks. You'd be able to buy less stuff than before. You might have to double your cash savings to cope with inflation.

Furthermore, your cash holding could deplete as you draw down your savings to cover your financial needs. Think your situation through if you'll stick to cash come hell or high water. It becomes less valuable the longer you hold it. In case you have the money you won't need anytime soon, consider investing in established dividend stocks.

Dividends are vital

Stocks tend to suffer during recessions. However, it has been proven that the stock market is a reliable long-term investment vehicle. If you're chasing after long-term financial goals, stocks could outperform cash over the long term.

Established dividend-payers could shield or keep your capital away from harm's way. Dividends are vital because you have an income stream without touching the principal. Moreover, you can keep reinvesting your dividends to build a nest egg or retirement fund.

No-nonsense investment

The hallmarks of dividend investing are consistency and longevity. Canada's top five banks are reliable dividend payers. Besides its 189-year dividend track record, the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) or Scotiabank is a top-of-mind choice of income investors and retirees.

Scotiabank pays a 4.54% dividend. The bank stock is up 17.3% year-to-date, proof that Canada's third-largest bank has endured the COVID year. Over the last 20 years, the total return is 764.49% (11.38% compound annual growth rate). Apart from capital protection, you have a hedge against inflation when you invest in Scotiabank.

Expect Scotiabank to benefit when Canada's economic recovery and expansion begin. The lowering of credit provisions should pave the way for loan portfolio growth and increase the earnings base. This $96.34 billion bank is a no-nonsense investment if you need a safe place to store your cash.

Blue-chip stock over cash

Financial experts say picking a blue-chip stock over cash is a no-brainer for long-term investors. A short holding period, not the stock market, is a risk for investors. Thus, keep cash as a safety net and invest some in income-producing assets for lasting income streams.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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