3 Retirement Portfolio Golden Rules Every Canadian Should Follow

Description

Retirement is one of the most common “goals” that people invest in. Most retail investors are simply considered investors, because they create and manage their retirement portfolios themselves, deciding which securities to add and when to exit positions. And when you are working on your retirement portfolio, it’s imperative that you keep a few golden rules in mind.

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Rule # 1: Use registered accounts

As a Canadian, you will most likely have access to two registered accounts: the TFSA and RRSP. Ideally, you should max out both, but if you only have a limited amount of capital, it’s a good idea to spread your retirement portfolio over both registered accounts.

It’s usually smart to max out your TFSA at least, but if you are too eager to drain your TFSA to meet sudden expenses, you may not be able to create a consistent retirement portfolio in that account. In that case, leaning more heavily towards the RRSP, where you don’t have access to your savings/assets (without financial penalties), might be better for your portfolio.

Buying a 5G stock like **BCE** (TSX:BCE)(NYSE:BCE) and keeping it long term in your portfolio can be quite smart. Not only does it offer decent long-term growth potential, but the telecom giant also offers dividends that can either be reinvested or cashed out in your RRSP and diverted into other investments. At its current 5.4% yield, the stock can offer you over $1,000 a year with $20,000 invested.

Rule # 2: Diversify

Don’t be content with just one asset class or one type of securities, even if you understand it the best. Diversification can often save your portfolio from sudden death if the sector you are solely invested in suffers from unanticipated market dynamics.

So, if you are heavily invested in, say, the energy sector or a growth-oriented but risky tech stock, also consider buying a safe utility stock like **Capital Powers** (TSX:CPX). The company produces electric power for consumption using a variety of sources, which gives it operational flexibility and places it in an enviable position in the green energy/power economy.

The company is investing heavily in solar and wind power, making its energy power greener for a future where sources other than renewables might face significant consumer/government backlash.

Rule # 3: Maintain a healthy risk appetite

You can't create a bountiful retirement portfolio without a healthy risk appetite. You should naturally lose this appetite as you get closer to retirement, but you should try to be reasonably bold with your investment choices when retirement is still a few years away. And the risk comes in many shapes and sizes.

For example, **Granite REIT** (TSX:GRT.UN) is a great growth stock and a real estate aristocrat, which is usually the opposite of a "risky" investment most of the time. But currently, the risk associated with buying Granite is that you might be buying it too hot. And if you don't, you might miss out on a great growth run that might send the share price further into three-digit category.

But if you wait till buying it low, you will also get the bonus of locking in a significantly better yield compared to the current 3%.

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Foolish takeaway

Investing extensively in dividend stocks and growing your stake over time can be a great way to create an income-producing retirement portfolio. It might not be as large (from a capital perspective) as a portfolio made up mostly of growth stocks, but it might offer better preservation of capital.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CPX (Capital Power Corporation)
4. TSX:GRT.UN (Granite Real Estate Investment Trust)

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