Market Correction: Special Christmas Gift for Your Kid's RESP

Description

I'm sure everyone has finished their Christmas shopping already. This Christmas, consider getting something extra special for your kid. How about buying a special Christmas gift from the stock market for your child's RESP, since we're having a market correction?

Where is the correction, you ask? Indeed, the Canadian stock market has only retreated about 5% from its all-time high set in November. By definition, it's not considered correction territory until it hits 10%. However, selective stocks have sold off by that much or more.

The market selloff is an opportunity to buy stocks in your child's RESP if the account has many years before the funds will be used for your kid's post-secondary education. Here are a couple of growth stocks for you to think about.

Brookfield Renewable

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) is certainly in correction mode. It is down about 27% from its all-time and 52-week high and 7% above its 52-week low. The growth stock had a super rally from late 2018 to early 2021 by tripling investors' money, which is why the stock has underperformed this year.

There's much to like about Brookfield Renewable. As Brian Madden, senior vice president and portfolio manager of Goodreid Investment, put it on *BNN*, it is a "secular growth story" and "one of the best in the sector." Christine Poole, CEO and managing director at GlobeInvest Capital Management, also likes the company, stating that "they're very global and use a diverse range of energy generation." Both have bought the growth stock for their clients.

Specifically, Brookfield Renewable is a leading global renewable power platform. Its portfolio consists of hydroelectric, wind, solar, and storage facilities in North America, South America, Europe, and Asia. Its cash flow is high quality, as 84% of it is supported by long-term contracts. Management also sets out to generate long-term returns of 12-15%, while paying a growing cash distribution. At present, BEP yields 3.4% and targets to raise its payout by 5-9% annually. Indeed, the dividend stock's 10-year total returns are almost 15% on the **TSX** and 12% on the **NYSE**.

Enghouse Systems

Enghouse Systems (TSX:ENGH) is an interesting growth stock idea. The main goal of buying growth stocks is for high total returns resulting mostly from price appreciation. The tech stock has delivered extraordinary 10-year total returns of about 23%, despite falling off a cliff lately. Specifically, it has corrected 40% from its pandemic and all-time high.

Other than its recent results, which pale in comparison to its pandemic results, the company also seems to be having trouble finding enough suitable acquisitions. However, there's no doubt the company is shareholder friendly — it used excess cash to pay out a special dividend of $1.50 per share in February 2021 on top of its regular annualized payout of $0.64 per share.

The company can potentially provide meaningful upside in the short term if it ends up selling all or a part of its business. Analyst Paul Steep from Scotia Capital believes that aside from this possibility, the stock can appreciate 44% over the next 12 months. The analyst consensus price target of $63 is not far off for 40% upside potential.

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2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:ENGH (Enghouse Systems Ltd.)

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kayng