2 Undervalued Long-Term Holdings for Your RRSP

Description

Every investor has a different approach to choosing stocks for their retirement portfolio, and this approach changes as retirement goals and risk tolerance of the investors change over time. But some fundamentals always remain true.

For example, buying good companies when they are undervalued and holding on to them long term is highly likely to result in decent returns. An undervalued stock may have a better chance of seeing price appreciation (assuming its financials remain strong) in the long term than similar stocks that are pretty or overvalued. However, it's not the only factor.

With that in mind, there are two stocks that you might consider for your RRSP-based retirement portfolio that you can buy at quite an attractive valuation right now.

An investment management company

Toronto-based **Guardian Capital Group** (TSX:GCG) has been around since 1962. While not as old, the stock has ample history to draw insights from, and its performance in the last decade looks quite promising, to say the least.

The last 10-year returns (price only) of the stock have been 200%. So, if it continues to grow at the same pace, and you buy now, you may be able to triple your money in the coming decade. And the probability of the stock going up continuously (though not linearly) seems decent enough, considering its current discounted valuation.

The stock is currently trading at a price-to-earnings ratio of just five. It's also available at a 15% discount from its all-time high price point, and the current trajectory indicates that the slump/correction might continue for a while. The value will drop proportionally, so try and buy the dip for the best possible results.

A growth-oriented REIT

While it also offers decent dividends, **Killam Apartment REIT** (TSX:KMP.UN) might be a slightly better buy for its capital-appreciation potential. The 3.3% yield, along with a 10-year CAGR of 9.4%, are reasons enough to buy this REIT and hold it in your RRSP for decades.

The valuation discount makes it an even compelling buy. At a price-to-earnings ratio of 8.1, the stock is just slightly undervalued, considering the valuation of most of the other REITs. It's also slightly discounted (12.4%), but you should consider waiting for the stock to drop further. Not only will it make the valuation even more attractive, but the yield would also go up proportionally.

The REIT has a decently diversified portfolio of apartment properties. The residential asset class, even though it's more vulnerable to the housing bubble, also makes it more potent when it comes to income production than commercial REITs since rental apartments are almost always in demand, regardless of the economic conditions.

Foolish takeaway

When you are preparing your retirement portfolio, it's imperative that you understand and fully utilize the strengths of your TFSA and RRSP. Both tax-sheltered accounts are smart choices in their own rights, but together, they can help you make a flexible yet powerful retirement portfolio (but only if you choose the right assets to put in them).

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GCG (Guardian Capital Group Limited)
2. TSX:KMP.UN (Killam Apartment REIT)

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