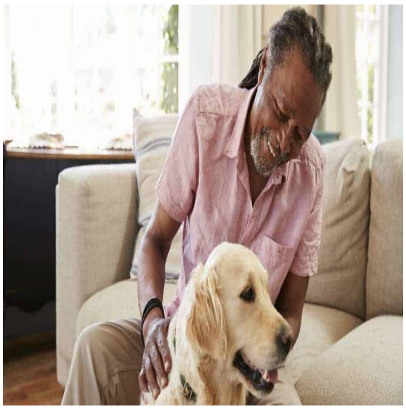

Top Stock Pick for Retirees: 1 Dividend Stud to Buy and Hold for 5 Years

Description

The worst thing that a retiree can do is hit the panic button, given markets have already baked in the lengthy list of negatives, perhaps discounting the occurrence of a positive exogenous event for once. Further, the market may also be discounting the resilience of the economy. While many banks now see an increased chance of recession, one must not look to past tightening cycles. The U.S. Federal Reserve is still a friend. It's just a friend that's willing to sacrifice good time over the short term for better times over the long haul.

Indeed, it's good to have a hot, strong economy, but all this inflation is not good for its longer-term health. There comes a certain point where controlling inflation needs to take precedence over strong employment. Undoubtedly, the Great Resignation is one of the side effects of the Fed's reluctance to hike last year. Can the Fed make up for lost time this year? That's the hope.

Recession or not: Retirees should be mindful of high inflation's impact on their nest egg

Though a soft landing could be harder than expected, I don't think many are as confident in the occurrence of such a soft landing as rate hikes come in. Why? Their credibility has been tested following their wrong transitory views of inflation back in 2020. Indeed, they were wrong in a big-time way, and consumers have had to pay the ultimate price. Higher prices at the grocery store and at the pump were most notable and have been a major stressor for lower-income families and retirees.

The only thing worse than a choppy market for retirees, I believe, is high inflation. Retirees have saved all their lives, and inflation above 7% hurts pretty bad. It either induces increased frugality or entices one to return to the labour force. Further, retirees may have to navigate out of their comfort zone by increasing their tolerance for risk to dampen the impact of high inflation.

Undoubtedly, retirees cannot give themselves a raise by joining the Great Resignation. What must they do? They should seek to invest in stocks with a wide margin of safety, a low beta, with a safe and solid dividend.

BCE Stock: A decent buy for retirees?

Currently, **BCE** (TSX:BCE)(NYSE:BCE) strikes me as a great value for retirees who seek high income and stability during these uncertain, inflationary (could they become stagflationary?) times.

Recent earnings have been mixed to negative due to the numerous headwinds. Whether we're in the early innings of a downturn remains to be seen. Regardless, retirees should stay invested and not buy into the bearish thesis by getting into cash, a "risk-free" asset that may very well be full of risk from an opportunity cost standpoint.

BCE is a telecom titan that's been hot of late, up 13.5% over the past year. The dividend is slightly smaller than it normally is at 5.3% (versus around 6%). Still, the wireless giant stands to continue benefiting from the 5G boom. Though a recession would hit BCE, I think the odds of a Canadian recession are far lower. Canada's economy seems better able to absorb fast and furious rate hikes, and with that, BCE stock may be in a better spot that its U.S. counterparts.

At 23.4 times trailing earnings, BCE stock is fairly valued at best. Given the safe and sound dividend and the volatility we've witnessed, I'd argue that the rich multiple may not be as rich as it could be, making the name a great pick for retirees.

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