
# Don’t Let a Recession Eat Up Your Retirement Money

**Description**

You have saved all your life for a comfortable retirement, and you don’t want fears of a recession to take away those savings, as the recession in 2007 did for most retirees. Smart investors learn from others’ mistakes and find an opportunity in a crisis, as Warren Buffett did in 2007. You can withdraw Registered Retirement Savings Plan (RRSP) money in panic and lose savings or stay invested for two more years and enjoy a higher retirement income.



## Three steps to save your retirement money from a recession

Historical data shows that every market dip is followed by a rally. It’s only a matter of time. The steeper the dip, the slower the recovery. In the last 40 years, the S&P 500 Index took an average of 15 months to recover from a 20-40% decline and 58 months for over 40% decline. Armed with this knowledge, build your retirement strategy that benefits from a market downturn.

### Don’t panic. Stay invested

The TSX Composite Index has dipped 9.2% from its April high. There is a possibility of more dip as the market is selling. Now, you can’t control the market. But what you can control is when to enter and exit the market. Do not make a lump sum RRSP withdrawal, or you might lose 10% or more of your retirement savings. I suggest you hold on to your equity investments that have strong fundamentals.

For instance, if you purchased growth stocks like **Constellation Software** (TSX:CSU), keep holding them. The stock has dipped 17% year to date on the back of market weakness. Its earnings were unaffected by the Russia-Ukraine war or the interest rate hikes. The company reported 22% revenue growth and a 1% cash flow growth in the first quarter. It will continue to buy small software companies in niche verticals throughout the year. Constellation could use the market weakness to buy companies at attractive prices.

Hence, when the market recovers, you could get 15-20% more than you could get now by selling Constellation shares. The stock is trading below $2,000. When the market recovers you could sell it for over $2,200 per share.

Also, hold on to Dividend Aristocrats like **Enbridge** and **Fortis**. They have been paying dividends through growth and recession. If you have opted for dividend reinvestment, I would suggest changing it to collecting dividends. This could give you liquidity in current times.

## Delay retirement by two years

Instead of retiring at a 10-20% dip, delay your retirement by a year or two. If you are 71, you have no option but to transfer your entire RRSP into Registered Retirement Income Fund (RRIF). Now, you don't have to sell your RRSP stocks. You can transfer RRSP holdings to RRIF. Moreover, you can start minimum withdrawals from RRIF the next year of setting up the fund.

But if you are less than 71 years of age, you need not transfer to RRIF, because it is for regular withdrawals. If you make withdrawals above the minimum amount, the provider will charge withholding tax. You can continue holding your investments in RRSP and live off the dividend income and interest on fixed income securities in 2022.

Other options to fund the initial retirement years are income from real estate or REITs. If you hold any fixed deposits that pay low interest, you can use that amount. The central bank will be increasing interest rates at an accelerated rate throughout 2022, which could increase your bank deposit rates. You can probably liquidate your low-interest deposit and opt for high-interest deposits.



## Continue contributing to an RRSP

If you are below 65, continue contributing or boost your investments in index funds, as the stock market will recover. The TSX 60 Index will reallocate, keeping only those stocks that survived the recession while maintaining the highest market cap in the TSX. My index fund pick is **Horizons S&P/TSX 60 Index ETF**, for it has one of the lowest expense ratios of 0.04%. The ETF will benefit from the recovery. If you buy the dip, you will enhance your returns significantly without much risk.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:CSU (Constellation Software Inc.)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
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