RRSP Investors: This Dividend Aristocrat Is a Top Buy for Passive Income

Description

RRSP investors should refrain from checking their portfolios too often after the recent damage to the stock markets. It's discouraging for anyone to look at the damage done to their portfolios in the first half of 2022.

As we navigate into the latter half, there's not a whole lot to be optimistic about. Rates are likely to be much higher, and there's a risk that a recession could be waiting for us by year's end. At the same time, peace talks could resume between Russia and Ukraine, commodity prices could fall and alleviate inflationary pressures, and the Fed may not need to be nearly as hawkish as it expects.

Further, stocks may soon regain their footing just because they're so oversold. There are quality companies for RRSP investors to scoop up today, even if it means having to deal with more losses over the coming months. Your RRSP fund is meant for the long haul. As this market selloff bottoms out, and investors start contemplating buying instead of selling, the value plays you see today could disappear.

Remember, inflation is taking a bigger bite out of your cash hoards. At 7.7% in Canada, savers will be guaranteed to lose considerable purchasing power for their lack of inactivity. Though dumping cash into the financial markets may seem like a bad idea, given how much negative momentum there is, I'd urge investors to look at things in a different light.

Cheaper stock prices and higher inflation

Sure, negative momentum and plunging markets could easily cause one to suffer more losses (based on purchasing power) than just freezing and parking one's wealth in cash and cash equivalents. However, longer-term thinkers with the right mindset will view the recent stock market correction and U.S. bear market as an opportunity. Indeed, there are better prices on stocks today versus just a few months ago. With inflation even hotter, there's a strong case to be a more aggressive buyer of stocks.

Inflation has become much worse. All the while, valuations have become more attractive. Though many may freeze and wait until stocks calm before taking advantage of opportunities, I'd argue that there's no shame in dollar-cost averaging to take that market-timing variable out of the equation. Remember, markets can recover very quickly.

CN Rail stock: A Dividend Aristocrat to buy on sale?

Currently, **CN Rail** (TSX:CNR)(NYSE:CNI) stock seems too cheap to ignore after plunging into correction territory. The stock now yields 2%, which is on the higher end of the historical range. Though the upfront dividend yield may not seem so sizeable, it is worth noting that CN Rail is a firm that's grown its dividend at a solid rate every single year. It's a Dividend Aristocrat with a wide moat and a means to reward patience through good and bad times.

At around 21.5 times trailing earnings, CNR stock doesn't seem that cheap. However, given the stock's propensity to soar in the early innings of new bull markets, I'd argue that CN Rail is one of many extraordinary long-term holdings perfect for the core of any RRSP.

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