Retirement Investing in a Volatile Stock Market

Description

Some simple investing tips can be applied to Canadians in retirement now or are retirement planning for the future in a volatile stock market. These tips can help you focus on what matters.

Focus on the long term

No short-term capital should be invested in stocks, because stocks are volatile by nature. Even when the fundamentals for a business stay strong or defensive, a poor macro environment can still cause a selloff in quality stocks.

This is why when investing in stocks for retirement, investors should have an investment horizon of at least three to five years — the longer, the better. Money that you need to spend within the year should definitely stay as cash and cash equivalents.

The Motley Fool noted that "across the 10 bear markets since 1950, the longest was 929 days and the shortest was 33 days." 929 days is just over 2.5 years. So, for Canadians who are super cautious, it's likely safe to have the cash you need to live on for about 2.5 years in something like a savings account. This cash will help you ride through market volatility, particularly like the market correction that we're experiencing now.

Experienced investors know that market corrections are opportunities to buy stocks on sale. Some stocks can even help you make passive income.

Generate passive income

Dividend investing is as passive as passive-income investing can get. Explore dividend stocks that have a track record of paying out safe dividends. Ideally, they would increase their dividends sustainably. You can start your research with the Canadian Dividend Aristocrats that tend to increase their dividends over time.

Big Canadian bank stocks, utilities, and telecoms are common core holdings for passive income. They include **Royal Bank of Canada**, **Fortis**, **Enbridge**, and **BCE**. High inflation and the rise of interest rates to fight inflation have resulted in a heightened risk of a recession, which is weighing on stocks. Right now, these dividend stocks are all fairly priced, except for Royal Bank, which offers a bit better value.

At writing, they offer safe yields of 4.1%, 3.4%, 6.3%, and 5.8%, respectively. If Canadians can buy these stocks on sale in this market correction, they can potentially hold through retirement for growing, passive income.

Own quality businesses

For retirement investing, you probably don't want to risk your money in speculative stocks that *could* win you the jackpot. That's because these stocks can cause you to lose your shirt as well. Instead, you should carefully filter for quality businesses that provide stable growth and durable dividend income. To emphasize, if you can buy these dividend stocks at great discounts, you can probably hold them through retirement for passive income.

Other than the stocks that were already mentioned, you can also check out companies like **Brookfield Asset Management**, **Canadian National Railway**, and **goeasy** that have delivered growing dividends while providing above-average growth.

If you want higher income now, consider going into real estate investing through real estate investment trusts. To name a few, **Dream Industrial REIT**, **Allied Properties REIT**, and **SmartCentres REIT** yield 5.8%, 6.7%, and 6.7%, respectively, at writing.

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