Retirees: 1 Cheap TSX Dividend Stock for Big Passive-Income Payments

Description

The current environment is hostile to all sort of investors from retirees to market newcomers. Still, now is not the time to panic, as the TSX Index looks to follow the broader U.S. stock markets into a bear market. If anything, it's a better time to increase those monthly buys for one's long-term TFSA or RRSP investment funds. We've got better prices than just a few weeks ago, and inflation remains as unforgiving as ever to those unwilling to take on more risk with their savings accounts.

With REITs (real estate investment trusts) and bond funds also treading water, it seems like a losing cause all around. It's discouraging and frustrating, especially for retirees who may be contemplating a return to work in an environment where work could grow harder to come by. Undoubtedly, the Great Resignation and numerous unfilled jobs signal that the economy has the resilience to make it through a few more jumbo-sized interest rate hikes at the hands of the Bank of Canada.

Still, it's worth noting that things can turn on a dime. In the United States, we've already heard of rescinded job offers and tech-focused layoffs. The employment situation isn't yet grim, but investors should be prepared for whatever type of storm that Mr. Market is ready to dish out in the second half of 2022.

For retirees, it's all about playing defence and diversifying your portfolio. No surprises there. Though the desire for risk-taking has fallen off a cliff, I'd argue that staying the course and being a tad more bullish than usual can help you come out of this economic hailstorm stronger than you entered it.

Retirees: Defensive passive-income stocks are great plays right here

Indeed, inflation and the bear market have made it hard for investors to stay on par with their purchasing power. While markets could go either way from here, I'd argue that the biggest risk to retirees is taking action when no action is needed.

Yes, this market correction could evolve to become a prolonged downturn. We've gotten too used to the V-shaped recoveries and bounce backs that many of us have forgotten that the average bear market tends to last just shy of a year. With just north of six months of selling in the books, more than half of the damage may already be baked in.

As supply-side inflation resolves, while demand begins to wane at the hands of higher rates, we could see considerable disinflationary pressures in the second half. Whether that means reversing some of the year's rate hikes remains to be seen. In any case, investors should look for durable companies that can keep their earnings strong, as the investor focus moves from inflation to earnings decay.

Canadian Utilities: A pillar of stability as market waters get rough

At this juncture, a stock like **Canadian Utilities** (TSX:CU) looks tempting. The Canadian utility and retail energy firm trades at 2.8 times sales, 8.9 times cash flow, and 25.0 times trailing earnings. The 0.57 beta is incredibly low and can help retirees dampen the rough waves that could be incoming.

With a 4.64% dividend yield, shares of CU can help retired investors ease the pains of 7.7% inflation. This scorching inflation won't last forever. Bank of Canada rate hikes could bring inflation well below 4% in a matter of months. Even as inflation plunges, market volatility could stay elevated, as fears of recession mount. Given Canadian Utilities is less influenced by the state of the economy versus most other firms, I expect CU stock to be a pillar of stability over the next three years.

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