Dividend Stocks Canada: 2 Safe Passive-Income Picks for Your RRSP

Description

Many pundits on the Street are bracing themselves for a recession in the first half of 2023. It's a scary time to be an investor, but even if a downturn is in the cards for next year, I'd argue that RRSP investors should stay the course. And, if they have the dry powder, start getting greedy with the many market bargains that are starting to become quite abundant on the TSX Index and S&P 500.

Indeed, not every stock is cheap just because its valuation multiples are on the lower end of the historical range. Many firms deserved to be punished, as euphoria got a tad out of hand in 2021. With much of gambling mentality now out of the markets, we may see one last round of selling before the markets can start being productive again.

RRSP investors: Stick with the game plan as a recession nears

Now, nobody knows when the market bottom will be. Those who try to time it will likely be caught offside. The market is an unpredictable beast, even when all hope seems lost. Like it or not, the market is already anticipating a recession. There's a lot of damage already in the books.

With so much fear and risk aversion, RRSP investors looking to build wealth over many years should seek to take a contrarian stance by being greedy while most others are in a hurry to mash that "Sell" button with the intention of asking questions later, running the risk of having to buy back at much higher prices.

Once the recession actually arrives, the market may be ready to move higher in anticipation of the next cyclical upswing. That's the nature of markets. They're forward looking. Today, markets are looking to a potentially weak 2023. And in 2023, it may be looking to a more bullish 2024 or 2025.

Indeed, things aren't as ugly as they seem. And they're never quite as great as they seem (think 2021), as many learned from the 2022 pullback.

RRSP investors: Playing defence with stable dividends

RRSP investors should buy stocks of high-quality firms with staying power and the ability to weather a storm. **Fortis** (TSX:FTS)(NYSE:FTS) and **Hydro One** (TSX:H) are RRSP-friendly picks that should have few issues moving through a coming downturn.

Fortis and Hydro One are a one-two combo to fight off any stagflation or downturn. Both utility firms have sky-high moats protecting their operating cash flow streams from a coming economic slowdown. As a result of their cash flow stability, both firms can continue raising their dividends as though the economy were in a normal condition.

Indeed, Fortis and Hydro One aren't great growth bets. However, they're great foundation holdings for any RRSP. Like it or not, long-term investors will encounter more than just a handful of pullbacks, corrections, bear markets, recessions, crises, black swan events, crashes, and scares. The odd depression and stagflationary environment can also happen. That's why it's vital to have a resilient firm like Fortis and Hydro One as a kick-stop for your TFSA or RRSP investment fund.

Sure, they're boring, but boring tend to be beautiful when the market waters get rough. At writing, Fortis and Hydro One boast a 3.5% and 3.2% yield, respectively. Arguably, they're great bond proxies that are must-buys on dips.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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