This 1 Safe Canadian Stock Is a Gem for Retirement Planning

Description

Retirement planning is not a very complicated task. If you start saving money early in life and put your money to work by investing in fundamentally strong stocks, you could achieve your retirement goal much sooner than you expect. More importantly, you must include some safe stocks with low volatility in your portfolio to ensure that uncertain market conditions don't affect your retirement plan.

In this article, I'll highlight one safe Canadian stock that I call a gem for retirement planning due to its safe business model and long track record of yielding outstanding returns for investors.

One safe Canadian stock for retirement planning

Before deciding to invest in a company and making it part of your retirement planning portfolio, it's very important for you to pay attention to the company's business model to find out how stable it is. **Dollarama** (TSX:DOL) is a leading Canadian value retailer headquartered in Mont-Royal with a market cap of around $22.2 billion. It currently operates nearly 1,431 discount stores across Canada. Dollarama also sells select products through its online store.

In the last few months, rising interest rates and high inflationary pressures have raised concerns about an upcoming recession. While it's not easy for anyone to predict a recession, it's always a good idea for investors to take future possibilities into consideration before investing. Overall, Dollarama's business isn't likely to get much affected by a recession, as the demand for its discounted essential products remains high even amid economic uncertainties.

Solid track record of yielding outstanding returns

While investing for retirement planning, investors must look at a stock's historical track record. If the company has a stable business model, it will keep yielding good returns on your investments even in difficult economic times.

After being listed on the TSX in 2009, Dollarama has yielded outstanding returns for its investors. To give you an idea, its stock has yielded strong double-digit positive returns in nine out of the last 10 years — even if we exclude its positive movement in the ongoing year. While most investors may not find its dividend yield of around 0.3% attractive, its solid track record of yielding outstanding returns each year still makes its stock really attractive. Even during the pandemic phase, DOL stock continued to yield positive returns, as it rose by more than 16% in 2020.

Despite fears of recession, Dollarama share prices continue to outperform the broader market by a wide margin this year. This safe Canadian stock currently trades with more than 20% year-to-date gains at $76.77 per share against an 11% decline in the **TSX Composite** benchmark.

Strong financial growth trends

In the April quarter, Dollarama reported a 12.4% year-over-year increase in its total revenue to $1.1 billion as its comparable store sales grew by 7.3% amid easing restrictions on physical activity. With the help of a double-digit increase in customer traffic and rising demand for its affordable everyday goods, the company's adjusted earnings for the quarter jumped by 32.4% from a year ago to $0.49 per share.

I expect the demand for its affordable essential goods to remain intact, even in tough economic times, which should help it maintain strong earnings growth in the coming quarters as well and keep its stock soaring.

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