How to Supercharge Your RRSP Fund as a Recession Looms

Description

The recent volatility hailstorm shouldn't derail your [Registered Retirement Savings Plan (RRSP)] fund if you've got a long-term mindset. Remember, by being an investor, you're signing up for the good days and bad. The bear market of 2022 won't drag on forever. Odds are, it'll serve as a magnificent entry point in the grander scheme of things. Now, that doesn't mean you'll catch the bottom.

That's virtually impossible for everyone who can't see the future. With a dollar-cost averaging (DCA) approach and a disciplined mindset, you can obtain a pretty good cost basis on the way down. Heck, it may even come close to the bottom, as you continue lowering your average price paid with every major leg lower in markets.

Your RRSP is meant for retirement (or buying a home), so if you're a young investor who's got many years or decades to invest, you should not let days like Tuesday get you down. For long-term investors, such days are actually desired so that you can pick up more of what you love at lower prices.

Indeed, money managers who need to show consistent gains year after year will dread such big down days. But for RRSP investors, treat it as any big sale on merchandise. If you see something you like, pick up a few shares. If not, there's no harm in doing absolutely nothing as you wait for the storm to calm.

How to supercharge your RRSP: Buy as others sell!

To supercharge your RRSP, though, you should at least think about nibbling into high-quality, blue-chip stocks that Mr. Market may have completely wrong. You see, when panic and fear are in Bay and Wall Street, sometimes good merchandise gets unfairly dragged lower.

What about those positive developments that induced a rally the week prior? Those tend to be too quickly forgotten by fearful investors. So, if you've got the temperament, buying big down days can jolt your RRSP's long-term returns. But you've got to be willing to take a bit of pain and deal with the discomfort that comes with hitting the "buy" button, when so many others around you are selling. It's not easy to be contrarian, especially when markets are in free fall. That said, it can be tremendously rewarding.

At this juncture, I'm a fan of **NFI** (TSX:NFI) on the dip.

NFI

NFI is a bus maker that's under a tremendous amount of pressure, down 53% over the past year and around 77% from its all-time high hit back in 2018. It's been a difficult drag for the firm, as orders have been quite muted. As a cyclical firm, NFI is bound to face ongoing sales pressure once the recession arrives. With a boatload of debt ($950 million in net debt for a $1.07 billion company) weighing down the balance sheet, NFI finds itself in a tough spot, as rates rise and orders take a hit.

Indeed, things seem bleak for the firm. Still, over the long haul, I think NFI will see better days, as orders pick up and localities look to electrify their fleets. NFI is a stealthy way to play the electric bus boom. Until it can boom again, supply chain hiccups will need to be resolved, and the firm will need to make it through a recession year.

In any case, the stock goes for just 1.1 times price to book, making it a deep-value play on the TSX. There's a 1.53% dividend yield that I think management should cut if it slogs through 2023.

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