Passive-Income Investors: 2 Safety Stocks to Stash in an RRSP

Description

Your Registered Retirement Savings Plan (RRSP) should be reserved for investment ideas that have a solid risk/reward scenarios. In this piece, we'll look at such names that also offer a considerable amount of passive income. Indeed, RRSP investors looking to give their retirement trajectories a jolt should strongly consider reinvesting the dividends and distributions they'll receive over time. Indeed, doing so will help you harness the full power that comes with compounding over an extended period of time.

With market conditions being quite choppy, RRSP investors should give the high-value safety plays a second look. Indeed, 2022 saw a swift move to value. In recent months, though, the value trade has cooled off in a major way. Undoubtedly, too much money chasing too few so-called safety stocks can make a seemingly secure play be risky — at least for those who don't intend to stay invested for the long haul.

Without further ado, consider **Fortis** (TSX:FTS) and **Telus** (TSX:T) stocks, which experienced a nasty bear market corrections (drops of 20% or more from peak to trough) in the back half of last year. Now, such plunges are uncharacteristic of defensive dividend players like Fortis or Telus. Still, the downward moves go to show the dangers of chasing *any* type of stock with less regard for the price paid. Indeed, a safe stock isn't so safe if you overpay.

Fortis

Fortis (TSX:FTS) is a long-time dividend staple for cautious investors. Last year, Fortis stock disappointed, as shares fell more than 22%. Indeed, Fortis isn't exactly a growth play, and the run-up prior to the decline was also quite fierce. In any case, I think Fortis stock is in a fair range right now at $55 per share. Here, the stock goes for 20.3 times trailing price to earnings — a fair multiple, in my view.

With a recession up ahead, Fortis seems like a great way to stabilize your defences as you collect a 4.1% dividend yield. The yield's higher than historical averages. Despite higher rates that could curb growth, Fortis remains a top pick for safety and income seekers.

It's not just the dividend that's appetizing, it's the 0.18 beta (lower than one means less volatile than the TSX Index). The low beta suggests Fortis could hold its own better if there's another leg lower for markets.

Telus

Telus (TSX:T) stock is often considered one of the best "growth" plays in the Big Three telecom space. With the lack of a low-growth media business and an intense focus on expanding its wireless capabilities, Telus is an intriguing option for young investors seeking the best of both worlds (income and growth over time).

Like Fortis, Telus slipped last year, surrendering a huge chunk of the gains enjoyed in the preceding rally. Though Telus faces macro headwinds that could weigh on the growth profile, I think the effects have been greatly exaggerated. At 19.5 times trailing price to earnings, T stock is a decent value pick, especially if you're enticed by the nearly 5% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/08/25
Date Created
2023/01/27
Author
joefrenette