RRSP Investors: Should You be Worried During a Recession?

Description

You've been doing it for years. Feeding into your Registered Retirement Savings Plan (RRSP) to create savings for retirement. Now a recession threatens to take that away from you! You watch as your shares and investments fall further and further, making you want to gag at what you're seeing.

The worst part? We haven't even hit a real recession yet.

So what on earth should you do about it?

Know what you're dealing with

The **TSX** today may still be down by 7% since March 2022 highs, but it's actually improved over the last few months. In fact, the TSX has climbed by 12.5% since last October, as of writing. So what on earth is the problem?

Interest rates, for one. Poor earnings, for another. And while Canada's gross domestic product (GDP) continues to grow, it's not exactly stellar growth. And once we hit that first quarter with a decrease in GDP, it only takes one more quarter to announce that we are indeed in a recession.

The key will be when the Bank of Canada actually *lowers* its interest rates. Take the Great Recession. The BoC lowered the interest rate to its lowest level since 1958 in December 2008, announcing the country had entered a recession. *This* actually marked a market bottom that would last until February 2009.

What does that mean now?

Get your chickens in a row. Don't put all your eggs in one basket. And pay attention to any other poultry analogies related to the stock market. If you want to prepare your RRSP for a recession, you need to get rid of those growth stocks, and fill it with stable long-term investments.

For me, I would consider the **BMO Aggregate Bond Index ETF** (TSX:ZAG), **Bank of Montreal** (TSX:BMO), and **Canadian Utilities** (TSX:CU). The reason I'd go for these is because each provides you with a long history of stable growth, including going into and coming out of recessions strong.

ZAG is a way to get fixed income through bonds, which will move higher during a recession. It currently has a 3.57% yield, with a focus on Canadian government bonds. BMO stock offers a dividend at 4.29%, and trades at just 6.7 times earnings as of writing. It has provisions for loan losses as well, allowing the company to pay off losses and get back in the black quickly.

Finally, CU stock is a strong option as the only Dividend King on the **TSX** today. RRSP investors wanting to see passive income rise should consider this stock. It's up 493% in the last two decades, with a dividend compound annual growth rate (CAGR) of 8.13% in the last 10 years.

Bottom line

RRSP investors should notice I'm choosing companies that have a *history*. That's because history repeats itself, and the stock market is no exception. What goes down comes back up again in this case. Especially for the case of these three companies. So while it might seem scary, holding steady is usually your best option during a recession. And we haven't even entered one yet.

So if you want to prepare your RRSP for the next recession, these are certainly the three stocks I would choose on the TSX today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:ZAG (BMO Aggregate Bond Index ETF)

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