Top Buys: 1 Great Growth Stock for Retirement Investing

Description

Are you putting together a long-term retirement investment plan? It's not easy with the stock markets up in the air. Between the worldwide public health crisis and the U.S. election, volatility has been off the charts this year. There are also underlying shifts in consumer habits, and profound changes in energy production to think about. Investment theses are turning on a dime.

So, what does that mean for Canadians building wealth-generating portfolios for their later years? Where is the upside? It's true that sometimes growth stocks can get left out of retirement plans. The RRSP focus, more often than not, is on dividend stocks. But this overlooks the potential inherent in some names to accumulate capital gains in a short amount of time. What if there was a lower-risk way to do this?

Go long on predictable stock trends

At the end of the day, investing in stocks is more than just card collecting. It's not about building a fantasy sports team. It's about making money. Retirement investors need to cut down on the risk and beef up the predictability. That's a given. But some growth stocks can satisfy this wealth-creation strategy. The trick is to look at classically defensive asset types, such as regulated energy production.

It's easy to have a lot of opinions about money when you don't have any. But when you do have money, you don't have opinions — you have strategies. Investors need to ask, "What's my edge?" They need to identify entry and exit points, calculate yields, pore over market fundamentals, and determine both goals and timeframes. But more than anything, they need that initial thesis. They need a trend.

Renewables: The biggest growth trend on the planet

Trends can be long term or near term. For instance, lithium is going to carry on climbing in price as more and more auto makers switch to electric vehicles. But that's likely a short-term trend. It will last only until engineers can find a cheaper material to make batteries out of. So, zoom out and think of the bigger picture. A longer-term trend is the green economy itself. Going long on renewables is therefore a multi-year growth trend.

Northland Power (TSX:NPI) belongs in the latter category. It also satisfies the passive-income strategy. A 2.7% dividend yield makes Northland Power a twofer of a growth stock. There's the accumulating income from its distribution, matched with the upside potential of its share price. Value for money could be better, as could overall balance sheet health. But this is an industry that could see investment of $13 trillion by mid-century.

Yes, near-term earnings analysis has been skewed by the pandemic. A slowdown in energy usage this year has brought down the electricity prices that all energy sellers rely on. But Northland Power is well placed within the green power space to come back harder as the economy recovers. Therefore, depending on one's financial timeframe, Northland Power could very well become a longer-term growth stock that could fire up a retirement portfolio.

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