



3 Inflation-Proof Stocks Yielding Up to 5.7%

Description

warning danger risk Warning: This content is not financial advice. Please consult your advisor. Imagine...

What would it be like to visit a convenience store back in 1964? A gallon of milk is only \$0.25. A first-class postage stamp costs a nickel. A litre of gas costs \$0.07.

Other prices are ridiculously low too. A loaf of bread costs \$0.21. The newsstand price for a copy of *Life* magazine is only a quarter. Heck, a one-year subscription will only cost \$5.00.

Of course, this little thought exercise illustrates the impact of inflation. Incredibly, since 1964 the dollar has lost 87% of its value. Every day this hidden threat nibbles away at the value of your hard-earned money.

People who keep their wealth in cash may not look any poorer when they open their bank statements, but the amount of goods and services they can actually buy with their dollars is eroded every year. And there's no need for any Weimar Republic styled hyperinflation to destroy your wealth. Even if prices rise at a modest 3% clip, the real value of a dollar will be cut in half in just 20 years.

How do investors protect their wealth? By avoiding dollar-denominated assets like cash or bonds and buying "inflation-proof" stocks. Some of these companies own hard assets that maintain their value no matter how many dollars are printed. Other occupy such powerful positions in the marketplace they can easily pass on higher costs to their customers.

Regardless of their specific method, some companies are better protected from inflation than others. With this theme in mind, here are three ideas to get you started.

Killam Properties

Real estate is one of the best hedges against inflation. When prices start to rise, property values and rents tend to increase in lockstep. Better yet, because real estate is funded with debt, borrowers are able to repay their loans in devalued dollars.

Killam Properties (TSX: KMP) gives you all the perks of being a landlord without the headaches. This company owns residential properties throughout eastern Canada. It's nothing fancy, but it's a recession-proof niche within the real estate markets.

But what we're really interested in is the dividend. Since the company started making payments in 2007, it has never missed or lowered its dividend. Today, Killam pays out a monthly dividend of \$0.05 per share and yields 5.7%.

Silver Wheaton

Precious metals are classic inflation hedges. No matter how many dollars the Bank of Canada prints, the real value of commodities like gold and silver will remain constant. That's why the prices for many goods and services have barely budged in terms of gold.

That said, streaming metal companies like **Silver Wheaton** (TSX: SLW)(NYSE: SLW) are much better places to store your wealth over the long haul than gold or silver. That's because the company is like a bank for the mining industry. In exchange for an upfront payment, the company is allowed to purchase a mine's entire gold and silver production at a fixed price.

Last year, Silver Wheaton paid an average price of US\$4.65 per silver equivalent ounce making the company one of the lowest-cost "producers" in the industry. And because much of that excess cash flow is ploughed right back into new mining deals, the company can actually grow over time. That's far smarter than storing your wealth in gold or silver coins.

Canadian Imperial Bank of Commerce

Ever since it started paying dividends to shareholders in 1868, **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM) has been a dividend investor's dream.

For 146 consecutive years the banking giant has managed to send a cheque to shareholders. And over the past decade alone, the firm has managed to increase that payout 63% much to the delight of yield-starved investors.

But the real reasons to like CIBC, much like the rest of the Canadian banking industry, is its almost monopolistic grasp on customers. The nation's top six banks control 60% of deposits. With that sheer market power, it can easily pass on higher prices to customers.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:KMP.UN (Killam Apartment REIT)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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