



## How Safe Is Your Retirement From Inflation? 3 Stocks to Beat Rising Prices

### Description

You may have noticed that a dollar doesn't go as far as it used to.

Shoppers are discovering more air in their bags of chips, fewer sheets of paper towel on the roll, and even thinner garbage bags. This week, CBC warned consumers to expect to pay more for meats at the butcher shop. And as always, the price of gas at the pump is nearing new record highs.

But rising prices isn't just annoying. It is the single greatest threat to your retirement... unless you know how to protect yourself.

### Investor alert: How safe is your retirement from inflation?

In 1964, the average value of a home in Canada was \$13,000. Today, some 50 years later, you'd be hard pressed to buy a decent car for that amount given that the average price of a new vehicle last year was over to \$33,000. And 50 years from now, you might find it impossible to buy a reliable car for \$130,000, which assumes just a small rise in prices annually.

That, my dear reader, is inflation — the most insidious risk Canadians will face in retirement. Every day, this hidden threat nibbles away at the value of our hard-earned savings. Yet despite years of watching firsthand the devastating impact of rising prices, many Canadians are not taking this risk into account when planning for retirement.

According to a recent poll by the **Royal Bank of Canada**, the majority of Canadians 50 and over are concerned about keeping up with inflation when they retire. However, only about 35% said they have invested with inflation in mind. This finding highlights the need for individuals to better understand and manage inflation risk when planning for retirement.

And it doesn't take Zimbabwe-style hyperinflation to wipe out your saving goals, either. Even if prices rise at a relatively modest 3% annual clip, the real value of your dollar is cut in half every 23 years. Depending on your circumstances, your cost of living could increase much faster than the official consumer price index.

The erosion of purchasing power is also why holding cash and fixed-income securities is so dangerous over the long haul. Yes, your principal is almost guaranteed. But given today's low interest rates, the real value of your savings will never be able to keep up with rising prices.

So how can retirees protect themselves? Fortunately, there are a number of inflation-busting asset classes:

**Real estate:** Real estate investors love inflation. Over time your property values and rents increase, but you pay back the mortgage with devalued dollars. My favourite way to invest in real estate is **RioCan Real Estate Investment Trust** ([TSX: REI.UN](#)). This fund gives you all the benefits of property ownership without the hassle of becoming a landlord. And because it is required by law to payout all of its income to unitholders, the trust sports an impressive 5.2% distribution yield.

**Wonderful businesses:** My definition of a wonderful business is one that is able to raise prices as costs go up. Consider a company like **Tim Hortons** (TSX: THI)(NYSE: THI) and its recent merger partner **Burger King Worldwide Inc.** Do you think Canadians will skip their morning cup of joe or favourite burger if prices increase by 20¢? Because Tim Hortons can easily pass on higher prices, it can protect shareholders from the ravages of inflation.

**Precious metals:** Central bankers can flood the world with phony paper money, but the real value of hard assets like gold and silver remain the same. I'm not a big fan of hoarding metal in a vault, however streaming metal companies like **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW) provide a compelling alternative. These are productive businesses that actually grow and compound over time, yet provide the same hedge against inflation as the underlying commodity.

The bottom line is that inflation is one of the biggest risks investors face in retirement. Fixed-income earners will not weather rising prices well. But by adding inflation-proof assets like the ones listed above, you can maintain a more comfortable lifestyle in your golden years.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:WPM (Wheaton Precious Metals Corp.)

## Category

1. Investing

## Date

2025/08/27

## Date Created

2014/09/05

## Author

rbailieul

default watermark