Got Extra Cash? 2 Smart Moves to Make

Description

Apparently, Canadians are hoarding cash during this pandemic — about $8,704 per household, to be more specific. I don't blame them. There is still a lot of uncertainty out there, despite positive vaccine updates from **Pfizer** and its peers.

How will the vaccines be distributed properly? How long can the vaccines stay effective in the body? How long until the economy goes back to normal?

That said, if you have extra cash on top of three to six months of living expenses that serve as an emergency fund, as recommended by experts, here are two smart moves you can make with your money.

Avoid GICs

In most cases, you want to avoid putting your money in guaranteed investment certificates (GICs). GICs secure your principal. However, the best one-year to five-year GICs offer miniscule interest rates of 1% to 1.5%.

In other words, you're going to lose purchasing power by putting your money in GICs in this ultra-low interest rate environment. After all, the Bank of Canada likes to maintain a long-term inflation rate of 2%.

Therefore, unless you need the money in the short term, you should avoid putting your money in GICs.

(In case you're wondering, bonds aren't my specialty. So, I'm going to skip over to my favourite asset class — stocks — which also delivers the best returns in the long run historically.)

Buy discounted dividend stocks

If you're worried you'll need more cash during this pandemic, you might as well invest your extra cash for more income.

The pandemic has negatively impacted and weighed on certain stocks more than others. Some of these stocks have become very attractive for long-term investment. It's even better that there are big dividend payers among this group.

Although it will experience volatility for sure, one of my favourite dividend stocks for income right now is **H&R REIT** (TSX:HR.UN). At $13.64 per unit, it pays a monthly cash distribution that equates to a yield of just above 5% right now.

This is the result of the crash in the stock and its cutting its cash distribution by half in May. H&R REIT's dividend is rock solid now with a recent third-quarter (Q3) adjusted funds from operations payout ratio of just 49% that's supported by rental income from a diversified real estate portfolio of office, retail, industrial, and residential assets.

The stock trades at a discount of 38% from its end of Q3 net asset value (NAV) of $22.11 per unit. Importantly, it will have room to recover its cash distribution and increase its NAV as we head toward normalcy. This implies a potential growing income and sure upside in the stock over the next two to three years.

Particularly, the REIT should see a continued rebound in the rent collection for its retail portfolio over this period. (It already saw rent collection improvement from 72% in Q2 to 88% in October.)

The Foolish takeaway

If you have some extra cash, now is the time to take advantage of discounted dividend stocks to boost your passive income. Other than H&R REIT, I also like **Bank of Nova Scotia** for a 5.7% yield and **Manulife** for a 5.2% yield. Both also have nice upside potential on a return to normalcy.

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