



Protect Your Wealth From Inflation With This Warren Buffett Stock

Description

The wealth-eroding effects of inflation are pretty insidious, especially over the long run. Many central banks desire to get inflation at that healthy range of about 2%. But sometimes, even hawkish central bank intentions may be forced to navigate off the path of its target.

With the [coronavirus crisis](#) sparking an unprecedented magnitude of money-printing, there are fears that we could be in for an uncontrollable uptick in inflation.

It's hard to tell just how much inflation we'll be in for in the post-pandemic environment. Regardless, investors should always seek to hedge themselves against the beast that is inflation, even if it ends up falling within a tamable 2-3% range post-crisis.

A Warren Buffett stock that's a great inflation hedge

Warren Buffett's **Berkshire Hathaway** made a small bet on **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) this year amid rising gold prices. In the latest quarter, Berkshire took some profits off the table by trimming its stake nearly half. While Barrick comprises a tiny portion of Berkshire's overall portfolio, I still think investors worried about inflation would be best served by nibbling into a name like Barrick on weakness.

Now, I wouldn't [back up the truck](#) with Barrick stock recently falling into bear market territory. Gold prices still look unsustainably high. With folks looking to Bitcoin as a gold replacement, gold prices may have limited upside beyond US\$2,000 and much downside risk if gold were to retreat to midcycle prices coming out of this pandemic.

Gold is a great volatility and inflation hedge. The opportunity costs of holding the shiny metal have gone down considerably, with interest rates at the floor. Still, investors should not assume that a "safe-haven" alternative asset (that's alternative to equities) like gold is without its share of risks, especially with gold prices just north of the US\$1,800 mark.

In a prior piece, I'd outlined a bearish scenario that would leave late gold investors in a world of pain.

With renewed COVID-19 vaccine hopes, an investor-friendly U.S. election result (Joe Biden without the Blue Wave), a massive haze of uncertainty has cleared up.

Still, many other concerns are giving investors some jitters, most notably uncertainties regarding the next U.S. stimulus package. And, of course, a potential surge in inflation may be a major risk to savers who've been sticking on the sidelines amid this pandemic. Such risks could pave the way for excess volatility, and the demand for gold is likely to remain robust until the coast is cleared, as it was for U.S. election risks back in early November.

Now, I've been a huge fan of top-tier gold miners like Barrick well before the pandemic struck. After **Pfizer** pulled the curtain on its effective vaccine, though, I changed my tune on gold and the gold miners, urging investors to take profits on best-in-breed gold miners like Barrick Gold before fear and pessimism had a chance to turn into hope and optimism.

While I'm not a raging bull on gold or gold miners, as we inch closer to the end of the pandemic, I think those with no precious metals exposure can improve their portfolio's overall risk/reward by gaining a bit of exposure via best-in-class gold miner Barrick Gold on the recent dip, even as Warren Buffett continues trimming Berkshire's stake.

Foolish takeaway

The lowly correlated ABX stock is still a great hedge against unchecked inflation and volatility. The price of admission may be questionable at this juncture. But if you lack hedges, I'd say it's to the benefit of hedge-seeking investors to at least get a tiny bit of skin in the gold game, with the intention of adding to one's position on any pullbacks.

The pandemic's end may be in sight, but it could be a very bumpy road back to normalcy, and with a high chance of inflation, you're going to want at least some exposure to the precious metals to protect against negative surprises. Don't back up the truck on Barrick here, but do nibble your way into a position if you have zero exposure to the precious metals.

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