



## Inflation: How to Stop Worrying

### Description

Inflation in Canada is on the rise. In April, the CPI rose 3.4%, up from 2.2% in March. That's not quite as dramatic as the jump in U.S. prices — a whopping 5% — but it's still bigger than we've seen in years.

If you're looking at the prices of everything you buy slowly creep upward, you might be starting to worry. Certainly, more expensive goods make us poorer in real terms. And while wages *generally* rise with inflation, there's no guarantee that your employer will be among those upping everyone's pay.

Those are valid concerns but a little overblown. Inflation is scary on paper, but it's ultimately nothing to freak out about. In this article, I'll explore three mindsets you can adopt to stop worrying about inflation.

### Step one: Realize the benefits of inflation

The first thing you need to do to stop [worrying about inflation](#) is realize that it has benefits. Chief among them are

- The value of any real property you own will rise;
- Your debt will become less in real terms; and
- Your salary is likely — but not guaranteed — to rise with everything else.

In light of these benefits, it's possible to make the case that inflation is actually a good thing. Nevertheless, it does have downsides you need to be aware of. In the next section, I will explore them in detail.

### Step two: Understand that you need to protect yourself against its negatives

While inflation isn't *quite* the abominable monster it's made out to be, it does have its negatives. Chief among them are

- Declining real spending power;
- The lack of any guarantee that your income will rise as much as the price of goods rise;
- Price instability; and
- In the worst cases, total collapse of the government whose currency is undergoing inflation.

None of these can be considered good things. Without a doubt, you need to protect yourself against them. In the next section, I'll explore one option you could consider to do that.

## Step three: Hold real assets

If you want to protect yourself against inflation, you need to get into real assets — chiefly, real estate. House prices are among those things that tend to rise in periods of inflation. In Canada, they rose 38% year over year in April. That easily beat inflation.

Generally speaking, owning a house protects your wealth. Even if you have to borrow a lot of money to buy it, it can be worth it. For example, if you borrow \$500,000 to buy a house, and inflation takes the dollar down to 1/20th of its original value, you'll be able to pay off your house by selling a used car. That's a pretty extreme example, granted, but it illustrates the point: inflation makes debt less expensive in real terms. If the house price is going up even *more* than the prices of other goods — as Canadian housing generally does — then that's even better.

If you're not in a position to buy a house, you could also consider buying REITs like **Northwest Healthcare Properties REIT** ([TSX:NWH.UN](#)). REITs like Northwest Healthcare own diversified portfolios of properties: apartments, office buildings, strip malls, etc. In NWH's case, it's office buildings, primarily. Like houses, these assets tend to rise with inflation. The rent that REITs are able to collect on them rises too. So, if you buy a REIT like NWH.UN today, you may lock in a 6% [dividend yield](#) and even watch it grow over time, as rent hikes send the payout higher.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/09/18

**Date Created**

2021/06/19

**Author**

andrewbutton

default watermark

default watermark