



2 Stocks to Protect Yourself as Inflation Hits 4% in August

Description

Statistics Canada published its official inflation figure for August this morning. Annual inflation hit 4% last month — the fastest pace since March 2003. The rate climbed higher than 3.7% registered in July. There's little doubt that the cost of living is expanding now.

Higher rent and food prices and a looming energy shortage could exacerbate this further in the months ahead. Economists expect the current supply-chain issues and demand boom to last until at least 2022. This rising cost of living is an invisible tax on your investment performance. Your stocks now need to return 4% just to *retain purchasing power*.

Here is how you can protect your portfolio and grow wealth, despite rising inflation.

Inflation-resistant stocks

Essential businesses with predictable cash flows are somewhat immune to the economic cycle. Consumers have no choice but to pay rising prices for certain services, such as electricity. That's what makes stocks like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) such great hedges against inflation.

Fortis stock is up 20% year to date — far outpacing inflation this year. In fact, the stock still offers a dividend yield of 3.5%, which should be enough to help you retain purchasing power.

The utility business is so robust that Fortis has had an unparalleled run of dividend hikes over the [past five decades](#)! The company intends to maintain this streak. Dividend hikes are expected for the next five years, at least. In other words, parking your cash in Fortis stock should allow you to beat inflation for the foreseeable future.

However, retaining purchasing power isn't the only way to invest during an inflationary cycle. Here's another play.

Inflation beneficiaries

Stocks like Fortis could help you retain wealth over the next few years. But they're not likely to grow or create wealth. Growth investors should focus on companies that actually benefit from the inflationary cycle, such as **Nuvei** ([TSX:NVEI](#)).

Payment processors like Nuvei *transmit* inflation. In other words, they benefit from higher transaction values when merchants on their network raise prices. This could be one of the many reasons Warren Buffett himself has been betting on payment providers in India and Brazil in recent years.

Unsurprisingly, Nuvei stock has been a top performer since going public in September last year. It's up 255% over the past 12 months. That run covers *over 25 years* of inflation at the current pace of 4%. In other words, all you need is a robust growth stock with room to grow in a multi-trillion-dollar industry to create wealth regardless of the cost of living.

Bottom line

Your cost of living rose 4% last month. Experts expect the rate to remain elevated for a while. This is an invisible tax on your wealth. You could protect yourself with stocks like Fortis or bet on growth with tech stocks like Nuvei. Good luck!

CATEGORY

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