



Inflation Surges to 4.7%: Protect Yourself!

Description

The Bank of Canada has just published the most recent report on the cost of living — and it's not pretty. The rate of inflation rose to 4.7% in October – the highest rate since 2003. What's more concerning is the fact that the annual rate of inflation has ticked up from 4.4% to 4.7% in recent months. In other words, this trend is accelerating.

Most Canadian households should expect added pressure on their family's budget in the months ahead. Meanwhile, investors should expect an invisible erosion of their performance.

If you're a saver and investor, here's how you can protect yourself during this historic inflationary cycle.

Buy hard assets

In an inflationary environment, currency loses its value. However, hard tangible assets retain their intrinsic value. For instance, a kilogram of rice or litre of oil has the same utility as before, but a higher price tag due to inflation. Investors can bet on such essential commodities to protect their wealth during an inflationary cycle.

Most investors prefer gold as a hedge. Some younger investors may prefer Bitcoin. But I'd say an essential real estate investment trust is probably your best option. Consider **NorthWest Healthcare REIT** ([TSX:NWH.UN](https://www.scribd.com/document/688888888/TSX:NWH.UN)) for instance. The company manages clinics and hospitals that are leased out for long durations (14 years on average). That's an inflation-proof business model.

NorthWest Healthcare stock currently trades at \$13.5 – which implies a price-to-earnings ratio of 6.7. It also offers an excellent dividend yield of 5.9%. This stock could help you preserve or even expand wealth during the ongoing inflation crisis.

Bet on inflation winners

Wealth protection is an obvious strategy during such times. But if you have an appetite for risk, you

could bet on companies that benefit from inflation. **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) is an excellent example.

Nuvei is one of the largest payment processors in Canada. The company's network handles 500 local and alternative payment methods in roughly 150 currencies and 40 cryptocurrencies.

Essentially, it helps businesses accept payments from customers swiftly and easily. Now, if these merchants raise prices due to inflation, Nuvei benefits from higher transaction volume. Since it earns a fee on transactions, its revenue and net income should rise alongside inflation.

Nuvei is better than an [inflation hedge](#). It helps investors place an active bet on persistent inflation. It's also relatively undervalued. The stock trades at just 51.5 times forward earnings per share. That's better than most of its FinTech peers.

Bottom line

The ongoing wave of inflation is concerning. On an annualized basis, the cost of living is up 4.7%, according to the latest data. Some investors and experts believe the official data is underestimating true inflation. Regardless, people need to prepare for the impact of this inflationary cycle.

The best way to protect your wealth is probably to bet on real estate. Another way to bet on higher inflation is to seek out winners like Nuvei.

CATEGORY

1. Investing

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2. TSX:NVEI (Nuvei Corporation)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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