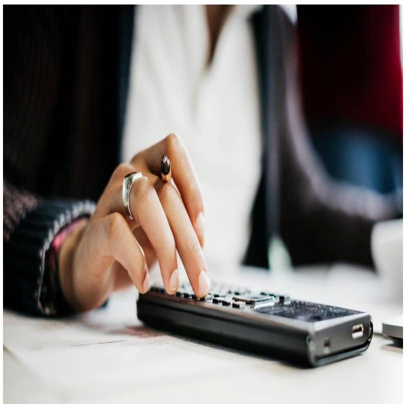

A Top 2022 Passive Income Pick to Help Beat Inflation in Canada

Description

Inflation in Canada has been quite a pain for many investors and savers to deal with. Nobody knows if it will go away by the end of 2022 or if it will persist into 2023. That's why it's a wise idea to be ready for anything and to ensure you're balancing the risks of holding too much cash. Indeed, inflation in Canada could be stuck in the 3%-5% range for quite some time, though it is encouraging that the Bank of Canada (BoC) could finally be ready to hike in as little as a few weeks. Arguably, I think the BoC ought to raise rates sooner rather than later, given the risks of staying pat and letting inflation run looks far more severe.

Billionaire activist investor Bill Ackman thinks that central banks need to deliver one huge rate hike, even if it means surprising the markets.

Although Ackerman's credibility may have taken a hit when his alarmist reaction when the stock market crashed in the early months of 2020, I do think he's right on the money. The Fed may have been overly dovish, and it may have been a bit of a mistake. Given how unforgiving inflation has been, the Fed may wish to be more aggressive with its fight against higher prices, especially given how much employment has improved over the past year.

Rate hikes versus runaway inflation

Inflation in Canada hasn't been nearly as bad so far. And although the BoC may raise rates faster than the U.S. Fed, I'd argue that the BoC may still not be hawkish enough. Have they stood pat for too long? It's hard to say, but one large hike could correct such a mistake, even if the markets don't appreciate the surprise. At the end of the day, Canadian markets are more likely to follow in the footsteps of the U.S. stock market and moves made by the U.S. central bank. As such, Canadian investors need not worry about too many BoC rate hikes; rather, they should watch the Fed closely as well, which may follow the BoC step-for-step this year.

Like it or not, the Fed is going to play it by ear, tapering and tightening gradually as it sees fit. If they don't have a more hawkish pivot (some believe they're not hawkish enough), inflation above the 4%

mark could persist through the year. And for Canadian savers or conservative investors who don't have considerable sums sitting in dividend-paying equities, 2022 could prove to be yet another painful year.

A smart passive income play to stay ahead of inflation

Enter **SmartCentres REIT** (TSX:SRU.UN), a well-run retail property play behind many strip malls located strategically across the country. Retail REITs were despised during the worst of 2020's lockdowns. Unlike most other retail REITs, though, Smart really didn't have anything that was a cause of concern, even as restrictions were put in place. The firm not only housed many quality essential retailers that kept their doors open, but it also housed many liquid retail tenants, most of which were never really at risk of missing a month's rent. Indeed, Smart did have a few troublesome tenants that had issues, but they were small enough that Smart had no problem keeping its rich distribution intact.

With the economic reopening up from Omicron, expect SmartCentres REIT to continue trending higher. It's proven its resilience, and as it expands its book into residential, I'd look for long-term appreciation due to the increased quality of the REIT's adjusted funds from operations (AFFOs). Today, Smart is a best-in-breed retail REIT. In a few years, it'll be more of a perfect combo of retail and residential. Smart is a great buy, and I'm continuing to pick up shares amid the stock's multi-year rebound off those lows of 2020.

At $31 and change per share, the 5.9% dividend yield is rich, well-supported, and a great inflation fighter, in my opinion.

CATEGORY

1. Dividend Stocks
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