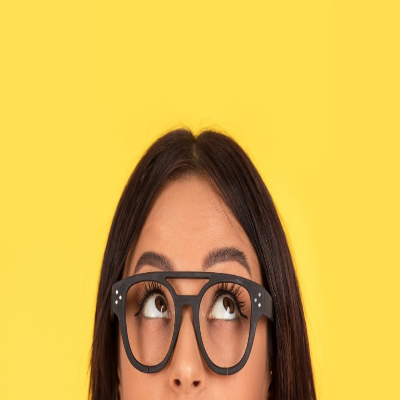

How to Combat Inflation as CPI Hits its Highest Level in 30 Years

Description

The Bank of Canada did not implement an interest rate hike on January 26, 2022, and, instead, decided to hold the benchmark rate steady at 0.25%. However, the decision not to raise interest rate just yet isn't a relief to Canadians.

Statistics Canada reports the 4.8% consumer price index (CPI) or inflation reading in December 2021 was the highest ever since 1991. Furthermore, the headline inflation is above the Feds 1-3% target range.

Economists say the historic-low lending rate is a major contributor to inflation. Even **Royal Bank of Canada** suggests rapid action to tame inflation. Simon Harvey, a foreign exchange analyst at Monex Canada said, "The decision, in our view, is a policy misstep." He added the mistake could prove costly later down the line.

Worst tax

Some people describe inflation as the worst tax, because it reduces purchasing power. Thus, Canadian households and families must brace for higher prices of goods and services for an extended period. However, there's a way to combat inflation and maintain your purchasing power.

The **Toronto Stock Exchange** is not without risks, but it remains the best marketplace to buy income-producing assets to help you cope with inflation. Dividend stocks like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Emera** (TSX:EMA) are reliable income providers.

Both stocks are eligible investments in a Tax-Free Savings Account (TFSA) and Registered Retirement Savings Account (RRSP). Use your 2022 contribution limits in either account to create a financial cushion.

Wealth builder

Canada's sixth-largest lender is a wealth builder. The dividend track record of this $71.85 billion bank is 154 years and counting. In fiscal 2021 (year ended October 31, 2021), CIBC reported 6.8% and 69.99% growth in top and bottom lines versus fiscal 2020. CIBC's four core business segments reported year-over-year growth in net income.

However, its U.S. Commercial Banking & Wealth Management had the most significant increase with 147%. Its president and CEO Victor Dodig said, "Against the backdrop of the ongoing global pandemic, our bank continued to invest for the future, including expanding our platform and capabilities in the U.S."

If you invest today, the big bank stock trades at $161.13 per share (+9.28% year to date). CIBC's dividend yield of 4% is the second highest in the banking sector.

Growing dividends

Emera is a top-of-mind choice of risk-averse investors. The investments of this $15.6 billion energy and services company are mostly in regulated electricity generation and electricity and gas transmission & distribution. Besides Canada and the U.S., Emera serves customers in four Caribbean countries.

The utility stock hardly fluctuates, although the current share price of $59.31 is approaching its 52-week high ($63.71). You can partake of the 4.47% dividend if you take a position in Emera today. After increasing its annual dividend in September 2021, management announced a dividend-growth rate target of 4-5% through 2024.

Scott Balfour, Emera's president and CEO, sees growth opportunities ahead, especially with investments in lower carbon energy. It should drive cash flow and EPS growth while supporting dividend-growth targets.

Create passive income

Rising CPI is a major concern in 2022. If finances allow, consider creating passive income inside your registered investment accounts to hedge against inflation.

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