Worried About Rising Rates? 1 TSX Stock to Build Wealth in 2022

Description

Building wealth over the long run doesn't have to be a daunting task, even in a year as challenging as 2022, as long as you're willing to stick by value stocks and stay disciplined. Undoubtedly, the valuation process has received quite a bit of criticism since the market bottomed out back in March 2020. Back then, you could throw cash at the "sexiest" story on Wall Street and do incredibly well, with huge gains to show for your investment day to day or even week to week! It was fun, exciting, and downright euphoric for market newcomers.

Many beginner investors jumped into the investment waters for the very first time, with stimulus cheques in hand and some time to kill amid lockdowns. As the market ended the year higher for 2020, even more investors were drawn in, with commission-free apps and all the sort. Then the Reddit frenzy of early 2021 took hold. Fast-forward to today, and the punch bowl has been taken away. Many speculative tech stocks are off well over 50% from their highs. The market averages in the U.S. fell into a correction, dragged lower by technology stocks, especially those that rocketed in 2020.

2022 looks bright for value investors

Indeed, ignoring the valuation process paid off in 2020 and parts of 2021. In 2022, not so much. Blindly buying dips in the tumbling speculative tech stocks has proven to be a money-losing proposition thus far. Meanwhile, those who stood by valuation are probably doing well right about now. It took some discipline to not join the party in late-2020 and early-2021 when people on Reddit were getting rich over a near-term time span. But such discipline is finally paying off. Moving forward, investors should treat the tech wreck as a learning opportunity. Never ignore valuation, especially when people think that valuation no longer matters and that Warren Buffett's old-fashioned value investing approach is outdated. Indeed, the "this time is different" philosophy should be a warning sign.

Today, value stocks are holding steady, while the most overvalued of growth stocks sink. With U.S. interest rates near the 2% mark, and significant upside momentum ahead of looming rate hikes, there's no telling how much more pain spec tech will be in for as we move further into the new year.

Sure, you can make a lot of money buying dips in tech stocks. But unless you can average down, value stocks are probably easier for most to stomach. Why? Many growth darlings are harder to value with rates rising. I have no idea where rates are headed. Without such clarity, can you really evaluate any unprofitable growth stock accurately? I'd argue it'll take some skill, skill that many beginners simply lack. Yes, investing seems easy, especially if you mistake luck for genius.

A top TSX stock to build wealth as rates rise

In this piece, we'll look at one value stock to help you build wealth and retain it as volatility mounts. Consider **IA Financial** (TSX:IAG), a boring insurance firm that tends to be outshined by its brothers in the space. The stock stands to continue rallying, even as rates obliterate growth further. Indeed, the stock is at a fresh all-time high at around $85 per share. With a 3% dividend yield, the insurer stands to benefit from rising rates. So, if you lack financials exposure and aren't yet ready for the blow of higher rates, it's about time to gain some high-quality financials exposure.

At 11.4 times trailing earnings, IAG stock is a great way to get such exposure. Despite recent momentum, the stock is still dirt-cheap, with ever-improving prospects. You won't get rich off the name, but it will help you build wealth and stay above inflation. At the end of the day, that's a great deal for long-term investors.

Remember, you don't need to catch the bottom in tech stocks. You can simply go with the momentum with a name like IAG.

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