Passive-Income Powerplay: 1 TFSA-Worthy Addition to Consider Today

Description

Passive-income investors have tough decisions to make with their TFSAs. With inflation on the rise, one needs to ask themselves if it's still worth hoarding tonnes of cash, even as a conservative investor. Bonds and cash equivalents are no longer enough to stay ahead and offset the insidious effect of today's levels of inflation. The Bank of Canada has stood pat thus far. When will it finally act to combat inflation? Nobody knows. While rate hikes are likely to kick in soon, I think that a more dovish tilt is very unlikely to bring inflation back down to the levels we're used to. The days of 1-2% inflation could be at least two, if not more, years off.

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That's why investors should look to explore options in the equity or REIT space, rather than settling for a loss of purchasing power through risk-free assets, which, in an inflationary world, aren't as free of risk as you'd think!

Volatility and inflation: A tough road for prudent investors

Does that mean jump into the deep end if you can't swim, or aim to catch a falling knife with both hands? Probably not, especially if you're shy to these levels of volatility. At the same time, passive-income stocks, especially those with swollen yields, are not immune from downside risks. What good is a 3-5% yield if you're just going to feel the pain of a 10-20% decline from current levels?

In this piece, we'll look at a TFSA-worthy, passive-income play I'd be inclined to scoop up here. You don't need to load up, but you can think about nibbling on weakness to help ease the effect of inflation.

A smart passive-income powerplay to consider

Consider **SmartCentres REIT** (TSX:SRU.UN), one of my favourite REITs in Canada. It's arguably one of the best retail REITs out there, with its plan to diversify into hybrid (residential/retail) real estate. Still, strip malls and all the sort will be the firm's bread and butter. Yes, e-commerce makes brick-and-mortar less attractive. But if there's anything we learned amid COVID lockdowns, it's that physical retail can still co-exist in an era where digital sales are the go-to. As a well-run retail REIT with robust tenants, Smart isn't just existing; it's thriving. And once COVID goes endemic, I'd look for the REIT to move higher on the back of post-pandemic normalcy and the firm's ambitious, long-term growth plans.

Of course, there's that juicy nearly 6% yield to collect while you wait for the tides to turn back in Smart's favour. With U.S. inflation north of 7%, the 6% yield will help you keep up. In Canada, inflation is lower, but who knows where it will lie come the next round of CPI numbers. There's no need to panic. But do think about ways to continue building your real (after-inflation) wealth.

I own SRU.UN shares personally and plan to continue accumulating shares on dips moving forward. It's a REIT I genuinely believe in, especially in the face of all these macro pressures.

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