



TFSA Users: Hold 3 Income Stocks, not Cash, in Rising Inflation

Description

Canadians can't ignore the warnings of economists that high inflation today isn't temporary, and could last some time. The Bank of Canada wants to bring down the reading to 2%, but it might take multiple rate hikes until 2023 to achieve its target.

Tax-Free Savings Account (TFSA) users are in the best position to cope with inflation because all earnings, profits, or gains within the account are [tax-free](#). Cash is good for instant liquidity, although financial experts say it's the worst asset class to hold during rising inflation.

If you're investing to hedge against inflation, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), **Nexus** ([TSX:NXR.UN](#)), and **B2Gold** ([TSX:BTO](#)) are top options. Gold, utility, and real estate stocks perform better than others in inflationary periods. Furthermore, the companies should have no problems sustaining their dividend payments.

Low-risk business model

Fortis is TSX's defensive all-star because of its bond-like features. This \$27.15 billion electric & gas company is on track to extend its dividend growth streak to 49 years in 2022. The payouts should be rock-steady since the company derives revenue from highly regulated utility assets (nearly 100%).

Management recently announced a new capital plan (2022 to 2026) worth \$20 billion. The largest ever plan will raise Fortis' rate base to \$8 billion or 6% annually until 2026. Its president and CEO, David Hutchens, said, "The new plan is highly executable with approximately 85% consisting of relatively small projects."

Besides capital protection, expect growing dividends from this utility. The guidance is for a 6% dividend increase annually through 2025. Fortis trades at \$57.19 per share and pays a 3.57% dividend.

Top-performing REIT

Real estate investment trusts (REITs), particularly [lessors of industrial properties](#), are solid hedges against inflation. Nexus, the TSX's top-performing real estate stock in 2021, should hold steady in 2022 and beyond. The \$960.25 million REIT is growth-oriented with a strong focus on industrial properties.

Nexus benefits from the e-commerce boom. Since multi-use industrial properties are in high demand, the occupancy rate is consistently high. Expect management to actively grow its industrial portfolio as it aims to be a pure-play industrial REIT. Apart from Canada, Nexus could target properties across the border next.

Go-to asset

Economic instability could heighten this year due to [runaway inflation](#). Risk-averse investors will move to safer ground, particularly gold stocks. B2Gold is now up 1.81% year-to-date and could break out very soon. Analysts are bullish and see a return potential between 52% and 125.1% in one year.

B2Gold is cheap (\$5.13 per share) but pays a generous dividend (3.99%). The \$5.35 billion gold producer with three operating mines (in Mali, Namibia, and the Philippines) had a strong 2021. Total gold production reached 1,047,414 ounces, the thirteenth consecutive year of record annual total gold production.

According to management, B2Gold remains well positioned for continued strong operational and financial performance in 2022. It expects to generate around US\$625 cash flows from operating activities if the gold price is US\$1,800 per ounce. The latest price target for gold this year is US\$2,280.

Safe dividends

Diversification is important during inflation periods. TFSA investors can spread the risks and earn recurring tax-free income by forming a portfolio of stocks paying safe dividends

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:BTO (B2Gold Corp.)
3. TSX:FTS (Fortis Inc.)
4. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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