



## Retirees and Beginner Investors: How to Beat Inflation and Market Volatility in 2022

### Description

The broader stock market correction has not hit everybody the same. Warren Buffett is doing incredibly well this year in a violent risk reversal. Never criticism the Oracle of Omaha, even as he drags his feet through prosperous times! Now that the tables have turned and fear is the main emotion on Wall and Bay Street, I think it's time to take a step back and consider the place investors ought to be at this juncture.

Investors are in a difficult spot right now. There's no way around it. Equities have been very volatile, as valuations reset across some of the more expensive names out there. Growth is out, and momentum chasers have been hurt in a big way, with names like Shopify en route to shedding over 70% of their value from peak to trough. It's not a kind environment for beginner investors who don't have a stomach or retirees with few options outside of the "risky" stock market.

To put it simply, Canadian investors have it tough today. Bonds and cash are unrewarding. With inflation continuing to surge, it's arguable that cash and cash equivalents, perceived as non-risky assets (free from risk of capital depreciation), are the new "risky" assets from a purchasing power standpoint. Inflation is incredibly high, and those who hoard cash will see their wealth wither away bit by bit until central banks can put the inflation genie back in the bottle.

### Double crisis conditions could wreak havoc on markets

At the same time, there's a double-crisis scenario that's hurt appetite for stocks. The horrible Ukraine-Russia crisis and the return of COVID lockdowns in China (a so-called stealth Omicron could be to blame) have reopening stocks and growth plays leading the downward charge. As the U.S. Federal Reserve walks the tight rope, it's hard to tell whether cash hoarders or stock investors will get hit the most over the next year. I'd argue that investors must find the right mix of cash and stock to dodge and weave past another year or two of inflation and volatility.

For cash-heavy retirees, it's such a terrible situation to be in, with inflation [eating](#) its way into one's real

wealth. That's why it's vital to go shopping, despite the recent volatility in the stock market. Yes, the double crisis and S&P 500 correction is scary. But is it scary enough to justify taking a 4-7% guaranteed loss of purchasing power at the hands of inflation by standing pat? I'd argue not. That's why investors with too much cash should look to go bargain hunting today. Like it or not, there are no "safe" alternatives these days for those looking to preserve and build wealth. The next best thing? It's not **Bitcoin**, but bargain-priced stocks with lower betas.

Lower betas mean a lower correlation to the broader stock market. Add in dividends, which can act as shock absorbers, and you too can position yourself like Warren Buffett. You can be invested, without taking as much pain as some beginners are these days! It doesn't have to be hard for those unwilling to go bargain hunting.

## One-stop shop for low volatility and inflation resilience

**BMO Low Volatility Canadian Equity ETF** ([TSX:ZLB](#)) [does the job](#). It's a hand-picked basket of TSX stocks with lower betas, secure dividends, and premium, long-term characteristics.

ZLB is down just 0.5% from its high, while the Nasdaq 100 is in bear market mode. Indeed, ZLB is paying off big, but it is essential to remember that ZLB won't save investors from corrections or crashes all of the time. For instance, the 2020 stock market crash did not spare ZLB. It fell just as hard as almost everything else. This time around, ZLB is holding its own. I suspect more of the same as we move through a turbulent year.

Year to date, ZLB is up over 2% and 42% over the past five years. That's an excellent return to help all investors stay ahead of inflation through these trying times. ZLB won't make you rich. But it can serve as an invaluable investment to keep you ahead in a game that's grown so much harder for many.

### CATEGORY

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