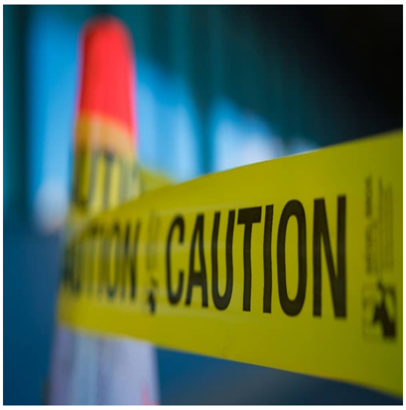

Canadian Retirees: A Top Passive Income Pick on Sale

Description

Canadian retirees have it tough, with inflation at a generational high, while bonds and GICs (Guaranteed Investment Certificates) are still unrewarding. Indeed, cash, cash equivalents, and risk-free assets seem to be guaranteed to lose purchasing power in a year that's seeing inflation continue to eat into the wealth of Canadians.

Indeed, a great deal of the many Canadian retirees simply can't afford to take the risks that come with a choppy stock market. That said, many of the younger retirees can't afford to see their purchasing power wither away for yet another year. Indeed, inflation's impact on one's nest egg may be underestimated by many. While retirees shouldn't look to jump into the deep end, with risky high-growth stocks that are in the crosshairs of the latest round of market-wide selling, I do think it's a wise idea to take a step back to consider the broader range of options that exist for passive income investors today.

Canadian retirees have hard choices to make amid inflation

Retirees should look to give themselves a raise to better combat higher inflation. I have no idea if rate hikes will stomp out inflation this year. If I had to guess, I'd say early 2023 could see inflation falling toward levels we're more comfortable with. That said, the sub-2% inflation days may be further off. In any case, inflation is something that retirees will need to deal with.

Right now, I view the REIT space as an intriguing low-volatility way to stay ahead of the rate of inflation this year. Consider **H&R REIT** (TSX:HR.UN), a 4%-yielding office and retail property play that is still being mostly weighed down by the impact of the COVID pandemic. As we inch closer and closer to pre-pandemic levels of normality, I think both REITs could be in a spot to enjoy solid capital gains. Without further ado, let's have a closer look at each play.

H&R REIT

H&R REIT is an office-heavy REIT that's in a tough spot right now. Despite the recovery from COVID, the demand for office space is unlikely to make a full recovery within the next two to three years, given the rise of remote work. While the office is not dead yet, I do think that many employees are calling the shots these days amid the Great Resignation. Many such employees don't want to return to the office. In an era where hybrid work is more of a must than a perk, I believe that H&R REIT will struggle to see its all-time highs again.

That said, I also believe that the damage done to the REIT is overblown. Shares are now down over 50% from all-time highs. Office space may never be the same, but it's still worth something. Once the Great Resignation wears off and employers call the shots again, I'd look for a more hybrid-like work model and a continuation of the recovery in demand for office space. In the meantime, the REIT is too cheap to ignore with its 4% yield that could grow steadily over the next few years.

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