1 Passive-Income ETF to Help Retired Canadian Investors Overcome High Inflation

Description

Retiree investors do not have it easy this day, and that's probably a bit of an understatement, with bonds continuing to be unrewarding, and the stock market experiencing considerable turbulence. Undoubtedly, inflation is a major foe of retiree investors or those who expect to retire over the next few years.

The costs of living have always crept higher, but now, they're sprinting higher. And it's unclear as to when the pace of inflation's rise will slow. Recent CPI numbers were not good, with Canadian prices surging to 6.7% for March. That's some serious inflation that could put a dent in the wealth of many.

Bigger rate hikes on the way? It's probably needed to drag inflation lower

The Bank of Canada (BoC) needs to act, and it needs to do so aggressively with interest rate hikes. Could a full-point (100 bps) rate hike be needed at one meeting to cool off this ridiculously scorching inflation?

Scotiabank's head of capital markets Derek Holt certainly seems to think so. He thinks there's a massive case for raising by such an amount, and I think he's right. Inflation has gotten out of hand. And unlike in the United States, Canada's stock market is flirting with new highs, with commodity prices and strength in financials propping up the broader **TSX Index**.

Indeed, it's a green light for BoC, and it needs to start getting ferocious with inflation, because it can be hard to temper inflation once it's been roaming for too long. Indeed, inflation is like a genie in a bottle, as I've noted in numerous prior pieces. It can be stuck in it for decades at a time. But when it's let out, it can require a tonne of effort to put it back in.

With a full-point rate hike in play, I think the odds of peak inflation could arrive as soon as the late spring or early summer. If a less-potent dose of rate hikes is delivered at the next meeting, we may have to deal with more inflation through year's end. And that's a serious problem for retirees who aren't investing.

With all the volatility in the stock market, it's hard to get back into markets these days. With the lower-volatility REIT space, though, I think retirees can have their cake and eat it, too. Many offer lower correlations to stocks with a sizeable yield to help retiree investors weather the coming inflationary storm, which may not be over if the BoC fails to raise rates at a quick enough pace.

A one-stop-shop REIT to help retirees combat inflation

In the REIT space, there are a lot of options. **BMO Equal Weight REITs Index ETF** (TSX:ZRE) seems like a great way to bet on the broader basket. The Canadian REIT ETF sports a solid, secure 3.93% distribution yield, with a 0.61% MER (management expense ratio).

The MER may be high, but it's worthwhile given the equal weighting across a wide range of high-quality REIT plays across Canada. Though the yield isn't even as large as the rate of inflation these days, the REIT is subject to more capital gains than the likes of some of the more mature cap-weighted REIT indices out there. Indeed, the ZRE balances growth and income very well, in my opinion. I think the total returns potential can provide one with a low-risk way of obtaining a real return in a year that could end in the red.

Over the past five years, the REIT has been up over 35%. Year to date, the ZRE has been flat, which is good considering that the Nasdaq 100 fell into a bear market and risks doing so again as volatility picks up.

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