Retirees: 1 of the Smartest REITs to Buy for Big Passive Income

Description

Retirees have been hit by the wave of inflationary pressures, especially those with large savings stashed in those unrewarding, so-called high interest accounts. Undoubtedly, bond yields and savings rates could creep higher. But on the “risk-free” front, the only thing that’s guaranteed is a loss of purchasing power. For retirees, such can be disheartening.

There’s no question that the scorching rate of inflation could get even hotter before Bank of Canada (BoC) rate hikes can cool it. At nearly 7%, retired investors need to ask themselves if the heavy blow of such high inflation is worth stomaching or if it’s a wiser idea to allocate a great chunk of one’s overall nest egg towards securities that can help reduce the hit.

Retirees: Any value in the passive-income-heavy REITs?

Generating a real return in a choppy, inflationary year like 2022 will not be easy. If anything, keeping pace with inflation could prove challenging, especially for retirees who simply cannot afford to take on so much risk. Like it or not, though, those who don’t take any risk could see inflation pressure nest eggs by a magnitude that could require some to return to the labour force.

In the REIT (real estate investment trust) universe, there are places where one can get a solid yield alongside a lower correlation to those choppy markets! Indeed, REITs are not without risk. They can plunge, as stocks can, but they usually hold up, unless there’s some sort of cash-crunching market crash like the one that hit us back in February and March of 2020.

In such scenarios, it’s vital to not act on panic and sell on fear, as the bounce back can be quite sharp. Further, retirees should insist on cash flow stability such that they won’t be hit by a surprise distribution cut once things do get ugly.

In this piece, we’ll look at one quality REIT that I think is worth checking out right here.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) is a retail REIT that got crushed back in 2020 only to bounce back in the years that followed. Today, shares go for $32 and change alongside a 5.8% yield. This distribution is bountiful, and it survived the worst of the COVID lockdowns in 2020.

That's thanks to the high calibre of tenants within the SmartCentres portfolio. Indeed, brick and mortar isn't dead yet. In fact, it could take some share away from the digital realm, as conditions normalize. For now, rent collection rates are near normal, and the stock is right back to where it was before the pandemic hit. Could it head higher? I think shares could rally as the firm dips its toes into residential real estate.

As one of the best-run retail REITs out there, with a strong long-term growth plan, it's hard to pass up the REIT if you seek safe passive income to make it through another year or two of high inflation. Further, Smart has shown a willingness to adapt with Penguin Pick-Up and various other initiatives that can help it thrive in the digital age.

The bottom line for retirees

SmartCentres REIT won't make you rich, but it can help you safely improve your chances of making a real return in 2022. Indeed, with stagflation a growing possibility, any single-digit real return would suffice.

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