3 Strategies to Survive Another Interest Rate Hike

Description

Inflation isn't the only thing hurting Canadians these days. While inflation is taking cash out of our pockets, interest rate hikes are hurting them even further right now. The rise in interest rates is actually to help curb inflation, and that should help eventually. But right now, interest rate hikes are bad news for those looking to get into many areas of investment.

Specifically, higher interest rates make loans and mortgages more expensive. Loans could come in a variety of forms, from student debt to car payments. Canadians living in larger cities like Vancouver and Toronto could see their regular mortgage payments increase by hundreds of dollars, and that goes towards your lines of credit as well.

That's why today, as interest rate hikes continue, I'll cover three strategies for Canadians looking to fight inflation. And, of course, some investments to help you come out in the black on the other side.

Pay down debt

Pay down debt as quickly as possible! The best thing you can do for yourself when interest rates rise is to pay down your high-interest debt. Those interest rates may climb even further in the next year, so things like credit card payments should be paid down right away.

A good strategy is to make a list of all your debt and number it from highest interest to lowest. Then create a payment plan that works within your budget. Finally, put that cash towards your debt every single paycheque. When you've completed one debt payment move onto the other. Interest rate hikes simply cannot affect you if you don't have any debt!

Sell what you don't need

Your mortgage payment isn't going to disappear overnight with this method. And frankly, if you have a locked-in interest rate at a still low rate, then keep it there. However, if you need cash, it can be a good time to consider selling off assets you don't need.

This is especially beneficial to do this before rates hike up even higher. Buyers are likely looking to lock in lower rates before another rate hike. This means that although the real estate market is falling, it hasn't bottomed out just yet. In fact, the Bank of Canada believes we'll see rate highs of 175 basis points before the year is out.

If you have assets you don't need, from cars to properties to storage units, sell them at a profit while you can still get a premium price. Then, you could turn around and use that profit to make some strong long-term investments.

Invest wisely

If you want to fight inflation and interest rates, there are a few ways to do so. One of the best places to invest is through banks. These firms earn money from interest, so when rates go up, it's actually a good thing! While there's a drop initially, as people tend to stop taking out loans, over time, you'll see banks create and increase in revenue thanks to the rise in interest rates with people borrowing at higher prices.

Another benefit for banks is that they have a lot of cash on hand, and that's what you should look for when considering outside the bank industry. You want companies with low debt-to-equity ratios and that have a lot of cash on hand. If you're looking for growth stocks to consider long term, this is what you should eye up.

But don't forget to lock in a diversified portfolio during times of uncertainty. Bonds can decrease your risk during this time, and short-term maturity dates help you stay on top of the market rate.

A stock to consider

If you want to help protect your portfolio from interest rates, while seeing your income grow, there's a way to tick almost all these boxes. One stock I'd consider is **NorthWest Healthcare Properties REIT** (TSX:NWH.UN).

This company is in real estate, with long-term contracts that on average last 14.1 years. It's in the growing sector of healthcare, with tonnes of cash on hand. It's valuable, trading at 6.2 times earnings, though it does have a high debt-to-equity ratio.

So, this is a good growth stock to consider, but make sure to balance it out with investments in bonds to protect yourself during this volatile time. And in the meantime, you get a dividend yield of 6.57% to look forward to.

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Date
2025/08/05
Date Created
2022/06/16
Author
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