Retirees: Top Passive-Income Stocks to Buy on Sale Following the Market Correction

Description

Retirees don't have it easy these days, with bonds and passive-income stocks headed south. Many retirees (or those close to retirement) are in a bad spot. Some may fear a return to the labour force amid an economic slowdown or recession. Others may have to rotate out of risky assets into cash, cash equivalents, or GICs (Guaranteed Investment Certificates).

Though bonds look slightly more attractive after the recent uptick in yields, it's really hard to tell where yields will be once central banks are done tightening. If they need to tighten more than expected, rates could become even better a year from now, and bond prices could take yet more damage. Bonds used to be referred to as safe assets, but with bond prices slumping in response to the rate-induced fight against inflation, they're anything but.

With no places to hide (even REITs and energy took a hit to the chin this past month), retirees are probably losing hope. While cash is great to ride out these turbulent times, many retirees know they'll be paying the inflation tax. Inflation soared to 7.7% in Canada, thanks in part to a lack of action on the Bank of Canada's part. In prior pieces, I've noted that the Bank of Canada could have prevented such scorching inflation had it taken a hint from the U.S. and hiked rates before it had a chance to flirt with 8%.

Inflation has been a persistent beast

Indeed, the Bank of Canada's credibility has been fading. And it could continue to fade further with every jump in the rate of inflation. Retirees should not depend on the central bank to do the right thing. Instead, they should be ready for the worst: stagflation.

Though stagflation can still be avoided, it represents a dire environment that all investors need to persevere through. Cash will be a losing asset, as will many stocks. Still, stock pickers can pick their way to better results. And in this piece, we'll outline two passive-income stocks to buy on the way down.

Indeed, it's such a depressing time for retired investors. However, it doesn't have to be if you view this market correction as an opportunity to deploy cash, rather than a setback in your retirement. If you don't sell and aren't served any dividend cuts, this pullback is bringing you lower prices on a broad range of securities. With inflation surging, the case for buying stocks and other risky assets has never been greater!

Scotiabank stock: A great dividend stud to buy after a correction

Currently, I see tremendous value in the banking scene. **Scotiabank** (TSX:BNS)(NYSE:BNS) is Canada's more internationally focused bank, with a juicy 5.5% dividend yield. The stock is in a bear market (down 20% from its peak) over concerns that the world could fall into a recession.

Various analysts lowered the bar on Scotiabank in recent weeks. As the Bank of Canada holds off on raising interest rates, the bank's net interest margin windfall may be further out than expected.

Recently, Scotiabank accused the Bank of Canada of "doing nothing" in the battle against inflation. The folks at Scotiabank are right on the money.

Though the government's affordability programs sound good on paper, they do not replace higher interest rates as a tool to combat inflation. In essence, the feds are doing the bare minimum in the fight against inflation, and everybody, from consumers to big banks, is likely to feel the pain from the lack of action.

Moreover, Scotiabank's high emerging markets exposure leaves it at greater risk than its domestic peers.

Over the long run, Scotiabank's emerging markets exposure will pay off. However, as economic storm clouds move in, such exposure is likely to leave Scotiabank feeling more pain than the broader basket of big bank stocks. At 9.1 times trailing earnings, BNS stock seems too cheap to pass up for passive-income seekers.

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