TFSA Investors: 3 Top Stocks to Beat Inflation

Description

Are you feeling the squeeze from inflation?

If so, you're not alone.

According to *Canadian HR Reporter*, two-thirds of Canadians' wages aren't keeping up with inflation. Wages are rising, but prices are rising even more. It's a tough time to try to make ends meet. Fortunately, there are ways to combat rising prices. By investing prudently, you can grow your savings by more than the inflation rate. In this article, I will share three stocks that stand to benefit from rising inflation and enrich their investors.

Dollarama

Dollarama (TSX:DOL) is a Canadian discount retail stock. It sells low-priced items that generally cost $4 or less. People tend to gravitate toward discount retailers when times are tough. They sell goods cheaper than grocery stores and high-end retailers, so they help people make their dollars go further. Some of the items at dollar stores are low quality, but others are real bargains. For example, DOL generally offers the lowest prices in the country on one-litre sodas at just 89 cents!

Normally, the shift in spending to discount retailers occurs during recessions. It's not as clear that these stores reap the whirlwind during periods of high inflation, but given that this year's inflation isn't correlated with tremendous wage growth, there's reason to think dollar stores will thrive.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a Canadian energy stock that directly benefits from rising inflation. It's an oil producer, which means it makes money by selling oil and gasoline. Crude oil and gasoline are both going up this year — in fact, they're the biggest drivers of inflation — so SU is making more money than it did last year.

In its most recent quarter, Suncor grew its sales by 55% and earnings by 259% compared to the same period a year before. It was a very strong showing. As long as the price of oil keeps rising, then Suncor will keep growing right alongside it.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a Canadian bank that benefits from inflation in a different way than the other stocks just mentioned. DOL and SU benefit directly from rising prices, TD benefits from the government's attempts to fight inflation. The main way that central banks fight inflation is by raising interest rates. When central banks do this, commercial banks get to charge higher interest rates to their customers. If there is no recession, then this will lead to banks reporting higher profits.

Whether we actually *are* in a recession right now is a controversial topic. The U.S. recently recorded two quarters in a row of negative GDP growth, but Canada's most recent GDP report was positive. If Canada's economy is as strong as it looks like, then TD's Canadian operations could thrive in the year ahead.

Its U.S. operations could get stung by the recession possibly happening in that country — when a recession occurs, higher interest rates don't mean higher bank profits. The Canadian segment looks pretty good. One point of concern for Canadian banks is the housing market; if rising interest rates push homeowners too far, they might default on their loans. That's a problem, but it has not yet risen to the level of a full-blown crisis. On the whole, TD Bank is in a good place right now.

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2. NYSE:TD (The Toronto-Dominion Bank)
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4. TSX:SU (Suncor Energy Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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