Pension Wealth 101: 2 High-Yield Stocks to Help Retirees Cope With Inflation

Description

If you're a retiree who's looking to supplement your pension, the high-yield dividend payers seem like great ideas right about now. Inflation is at around 7%. It's projected to fall from here, with a peak likely in behind us. That said, there's always uncertainty when it comes to Consumer Price Index (CPI) reports. If we're dealt an August-like CPI number for September, things could get ugly again for broader markets. If it reveals faster-falling inflation, though, stocks could melt up, and the window to buy could close well before you're ready to hit that buy button.

That's why I'd look to supplement your pension with a Tax-Free Savings Account (TFSA) income stream today. With a wealth of dividend stocks and real estate investment trusts (REITs) commanding yields at multi-year highs, there are few reasons to buy into the fear that has most others rattled and ready to run to the hills!

Retirees: Passive-income stocks to bolster your wealth

As a Foolish investor, you need to go against what most others are doing. That would have meant selling in 2021, while everyone else was throwing cash at non-fungible tokens, crypto, and other speculative assets. This year, the tables have turned, making it time to buy the bear as others attempt to run from it!

In this piece, we'll check out one REIT and one intriguing Dividend Aristocrat, which, when combined with your pension, can help you better cope with inflation's continued hit.

Don't feel the need to conquer inflation (by trying to get a yield that's absurdly high), but do try to minimize the impact. Inflation could fall in due time toward 4-6% in as little as 18 months. Coincidentally, that's the yield range I'd look to pursue when it comes to securities.

Consider shares of **SmartCentres REIT** (TSX:SRU.UN) and **TC Energy** (TSX:TRP)(NYSE:TRP), which command 7.2% and 6.2%, respectively.

SmartCentres REIT: Staying ahead of inflation

SmartCentres REIT is a smart investment to own after its recent pummeling. Shares fell from around $33 per share to $25 and change. That's a 22.5% drop off those 52-week lows. Indeed, shares are rolling over, as investors fret a downturn. It's not going to be a pretty 2023 for the economy. But at these valuations, I think the worst is expected for the coming year. Shares trade at a ridiculous four times trailing price-to-earnings (P/E) ratio, after all.

I view Smart as real value. It's no dividend trap, though its payout may suggest such! Smart demonstrated its power to keep the distribution covered during the 2020 coronavirus crisis. A mild recession in 2023 could prove less severe, making the payout better supported than markets think.

At the end of the day, Smart houses many well-run, recession-resilient retailers. They'll keep paying rent, even as consumers trim their budgets. With that in mind, I think the damage done to Smart is pretty absurd.

TC Energy: A utility-like cash cow

TC Energy is a wonderful dividend stock trading at a wonderful price right now. The stock goes for just 18.1 times trailing P/E, making it an intriguing option for retirees looking to dampen the inflation blow to their portfolios. Indeed, TC is ready to grow its operating cash flow stream. With many intriguing efforts in the pipeline (sorry for the pun!), it'll be hard to keep management from raising the bar on the dividend every single year.

Further, the energy patch is holding its own better than the rest of the market. While prices have slipped, demand for domestic fossil fuels could remain robust all the way through the recession. Given this, TC's more than 6%-yield dividend is worth hunting down!

CATEGORY

1. Investing

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1. NYSE:TRP (Tc Energy)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
3. TSX:TRP (TC Energy Corporation)

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