Retired? 2 Affordable Passive-Income Stocks to Beat the Bearish Market

Description

It’s hard to believe that the great bear market of 2022 is stepping foot into 2023. As the Federal Reserve continues tightening to put inflation back in its place, all eyes will be on how the economy will react. Many think a recession will be unavoidable.

A recession bodes terribly for investors who are already feeling the pain in their stocks, bonds, cash holdings, and crypto (if they’re so inclined to speculate on the digital “asset”). While the stage seems set for two straight years of negative returns, history suggests two straight years of losses are unlikely. In prior pieces, I’d noted that seemingly good years can be bad and vice-versa based on expectations for the future.

It should be no mystery to see investors hitting that sell button, as the rough year wraps up. Many investors expect bad things for economic growth in the new year. When the recession finally does land, it’ll be about how much worse (or better) the situation is versus estimates. Though pundits are doubling down on their bearish tones, I’d argue that now is no time to take drastic action with your long-term portfolio.

If anything, January 2023 should serve as a chance for you to put your $6,500 TFSA contribution to work on hard-hit bargains with yields that are higher than they were just one year ago.

Indeed, this bear market has been tough on everyone, from tech-focused investors to retirees. Unfortunately, retirees can’t afford to keep taking risks on stocks that seemingly have nowhere to go but down. Regardless, there are a growing number of passive-income opportunities as the bear drags on into 2023. Lower share prices across a wide range of dividend payers have led to swollen yields and contracted valuations. In essence, you can pay less to get more dividend or distribution income amid the ongoing selloff.

Now, you’ll probably not catch the bottom of the selloff. Acknowledge such, as you’ll be ready to ride out the difficult ride ahead en route to greater results over the longer run.

Currently, I'm a fan of **Canadian Apartment Properties REIT** (TSX:CAR.UN) and **Hydro One** (TSX:H).

Canadian Apartment Properties REIT

CAPREIT is one of the best real estate investment trusts (REITs) that money can buy. The residential REIT owns sought-after properties in some of the hottest rental markets in the country (think Vancouver and Toronto). These properties will remain in high demand, and rents are likely to keep climbing over the long run. Indeed, supply-demand dynamics work in favour of the firm. Real estate is all about location. Arguably, CAPREIT is in the right spot. And once the recession ends, it will be right back to making shareholders excess returns relative to risk.

It's hard to believe that CAPREIT shares are back at 2020 lows. The shares are down around 36% from their highs, with a yield of 3.41%. I view this dip as a magnificent buying opportunity for retirees looking to get a bit more income from one of the most interesting residential REITs out there!

At 14.75 times trailing price to earnings (P/E), CAPREIT isn't as cheap as some of its peers. Still, it's a wonderful business at a reasonable price, making it an interesting play for the retired.

Hydro One

For income investors seeking a less-choppy ride, it's hard to beat Hydro One. The stock boasts a mere 0.28 beta, which means H stock is far less volatile than the TSX Index. The 3.05% dividend yield can also serve to smoothen out the bumps in the road. Though the valuation is a bit rich at more than 21 times P/E, I'm a big fan of the name as a bond proxy.

If you're committed to staying invested for the long run, Hydro One stock is less risky than a bond, in my view, when you consider the direction of interest rates (higher rates mean higher bond yields and lower prices).

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1. Investing

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1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:H (Hydro One Limited)

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