2023 Is a Terrible Time to Be a Saver: Here's What to Do With Your Money Instead

Description

Inflation is still relatively high. The latest data revealed the inflation rate was 6.3% last month. There's a lag between the time the Bank of Canada raises interest rates to when consumers and businesses really start to feel the impact on their loans. Some pundits estimate the time lag is about 12-18 months, which is where we are at.

The best non-redeemable one-year Guaranteed Investment Certificates (GICs) provide an interest income of about 5%. GICs guarantee the return of your principal and interest, but being a saver likely means losing purchasing power in today's still-high inflationary environment. Unless you need the cash within a year, it may be better to invest the money for long-term investment.

Here is one of the top stocks that have growth prospects.

Buy Granite REIT

Other than providing a nice cash-distribution yield of about 4%, **Granite Real Estate Investment Trust** (TSX:GRT.UN) also offers upside. Analysts have a 12-month consensus price target that represents a gain of just under 14%. So, the 12-month potential return of the stock is just under 18% from the recent quotation of $80.58 per unit.

Sure, investors would be taking on greater risk with a real estate investment trust (REIT) like Granite. For example, in the short term, the stock could dip from a weaker economy. In other words, it could take longer than a year for it to reach the price target. In between, the stock would be volatile.

The industrial REIT collects income from about 128 properties in its diversified portfolio. Granite is proud of its investment-grade credit rating and a high-quality and creditworthy tenant base. The quality of the management is reflected in its 12-year-long track record of increasing its cash distribution, which is rarely seen in the Canadian REIT scene.

For reference, its five-year dividend-growth rate is 3.5%. Its payout ratio is estimated to be sustainable at about 68% of its funds from operations this year.

2023 is a terrible time to save money

In recent history, savings accounts earn and continue to earn interest income with rates lower than inflation. Over time, Canadians' standard of living declines because their purchasing power is decreasing.

By taking on greater risk, such as by investing long-term capital in solid stocks backed by quality businesses, investors can potentially earn higher returns and even raise their standard of living (i.e., increase their purchasing power)!

Stocks are volatile. And in the worst-case scenario, businesses can go out of business and their underlying stock could go to $0. Therefore, it's critical for investors to select their stocks carefully and to maintain adequate portfolio diversification.

You can start building a relatively low-risk stock portfolio with dividend stocks that pay reliable income as a part of their total returns. Historically, about a third of long-term stock returns came from dividends. So, focusing on safe dividends is a good way to start. Other than Granite REIT, here are more considerations as best Canadian stocks to buy now.

Simultaneously, you can better protect your principal by buying undervalued stocks.

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