

# Take Advantage of High Interest Rates



Central banks in Canada and the U.S. have raised interest rates very aggressively over the last year to fight soaring inflation, putting a significant amount of strain on borrowers. But high interest rates have a silver lining: they give savers and savvy investors a great opportunity to boost their return potential.

Here are six ways you can take advantage of high interest rates:

- 1. Mutual funds or ETFs with a focus on bank stocks.** Banks usually generate more profit as the spread increases between the interest they pay to lenders and the interest they charge borrowers. When market rates are low, there's less ability to widen spreads.
- 2. Energy-focused mutual funds or ETFs.** Inflation lifts the price of most products, including energy. While other factors (like supply and demand) also influence energy prices, oil and gas prices are being well supported during this period of high inflation, so energy-focused mutual funds or ETFs might be worth a look.
- 3. Mutual funds or ETFs focused on the consumer staples sector.** Some companies can pass along higher costs to consumers without any meaningful reduction in sales and profitability. Many such companies (e.g., grocers, drugstores) are in the consumer staples sector.
- 4. Floating-rate income mutual funds or ETFs.** Yields on floating-rate debt instruments rise (or decline) when interest rates go up (or down), so mutual funds or ETFs that provide exposure to these securities may be a good choice in a rising-rate environment.
- 5. Real return bond mutual funds or ETFs.** Issued by the government, real-return bonds are pegged to the Consumer Price Index (CPI), which tracks the inflation rate of key goods and services. They pay interest based on the CPI, so mutual funds or ETFs focused on real return bonds may help protect investors against inflation.
- 6. Savings products.** Guaranteed investment certificates, high-interest savings accounts and money market funds can help savers earn more income. Since the income they generate is linked to the central bank policy rate, savers benefit when interest rates are high.

**Contact your advisor to discuss how your investments can be positioned for today's high-interest-rate environment.**



INVESTED IN YOU.

This article is a general discussion of certain issues intended as general information only and should not be relied upon as tax or legal advice. Please obtain independent professional advice, in the context of your particular circumstances. Investia Financial Services Inc. is a wholly-owned subsidiary of Industrial Alliance Insurance and Financial Services Inc., a life and health insurance company which operates under the trade name iA Financial Group.

[investia.ca](https://investia.ca)