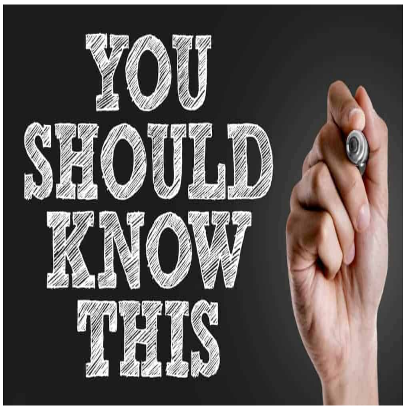

3 RRSP Stocks to Help You Stay Ahead of Inflation

Description

In the month of May, the inflation rate in the country climbed to 3.6%, marking one of the sharpest increases in the decade. The rate is not uniform across different expense dimensions since transportation rose by 7.6% (highest) and food by only 1.5% (second lowest), but it's still a significant jump.

This is a not-so-gentle reminder of how rapidly inflation can eat into your savings. Even a 2% inflation rate on average can accumulate over time and reduce the buying power you have with your capital.

This is one of the reasons why it's always recommended that you keep the bulk of your savings in investments instead of cash, because even the best RRSP rates usually don't go past 1.25%, which is inadequate, even against normal inflation, let alone hyperinflation.

And if you are worried about capital preservation, you might consider sticking to established aristocrats that also tend to be leaders in their respective industries. They might not be aggressive growers, but even the modest growth can help you stay far ahead of inflation.

A telecom giant

Telus (TSX:T)(NYSE:TU) is one of the three major players in the telecom sphere in Canada that have consolidated about three-fourths of the market. So far, Telus is the best growth stock out of the bunch. As an aristocrat, the company has grown its payouts for 17 consecutive years and is currently offering a juicy 4.5% yield. The payout ratio is a bit high, but the company is financially stable enough to live through this.

Even the 4.5% yield, in its own way, can help you stay ahead of inflation. If we compare it against a benchmark inflation rate of 2%, the company will add more to your capital (via dividends) than what inflation is taking away. But even from a pure capital appreciation perspective, Telus has a 10-year CAGR of 12.6%, so even if you take away inflation, the yearly growth might still be in double digits.

A banking giant

Canadian banks like **Toronto-Dominion** (TSX:TD)(NYSE:TD) are more than just reliable dividend-churning machines; they are also modest growers. The 2021 growth has been uncharacteristically high (21.7% so far), and it has also bumped the 10-year CAGR to a nice number of 12.5%. It's not the highest in the banking sector, but it's still on the high end.

And it comes with the stability of the banking sector, TD's stellar dividend history, and a slightly elevated price tag (which is justified). The bank has a powerful presence in both Canada and the U.S. and has a rapidly growing digital user base. The financials are stable, and the dividends are rock solid. This makes TD an ideal holding for long-term capital growth and beating inflation in your RRSP.

A consumer defensive stock

Empire Company (TSX:EMP.A) is a Nova Scotia-based food retail conglomerate and the proud owner of Sobeys, the second-largest food retail chain in the country. Even though it offers the lowest yield on this list (1.23%), it's the oldest aristocrat on this list and has been growing its payouts for 26 consecutive years. The 10-year CAGR is 10.9%, so even if you take inflation into account, it might still offer a decent growth rate.

Empire's chief attraction is its business — i.e., food. No matter the market condition, this is one of the few market segments that don't see major slumps. In fact, when people are avoiding dining out and focusing more on preparing their own food, companies like Empire see a rise in sales. That's probably the reason its revenue rose significantly for two quarters in 2020.

Foolish takeaway

You don't have to put your hard-earned savings into risky stocks to outpace inflation. Even with safe and reliable stocks like the three we've discussed, you can easily stay ahead of inflation's negative impact on your retirement savings in your RRSP. The dividend competent can either "DRIP" back to growing your holdings or help you grow a cash pile in your RRSP that you can use to invest in other companies.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:TU (TELUS)
3. TSX:EMP.A (Empire Company Limited)
4. TSX:T (TELUS)
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