1 Top Canadian Dividend Stud to Outpace Inflation

Description

Inflation may or may not go anywhere come 2022, making a strong case for buying some of the best Canadian dividend stocks to prep for the new year. Indeed, inflation is running hot — too hot, even for the U.S. Federal Reserve's liking. Despite the Omicron variant, which could derail the economic recovery, Fed chair Jerome Powell is still on course to continue on with tightening and tapering of asset purchases. Such a hawkish pivot caused a bit of selling pressure on markets this Tuesday. With all the uncertainties surrounding the new variant of COVID-19, however, there's no reason why the Fed can't pivot again in accordance with any resurgences or cooldowns in the rate of inflation.

At this juncture, pundits, including some folks at the Fed, see inflation coming back down in the new year. While inflation is unlikely to fall to 2% next year, some see it falling in a 2-3% range by the end of next year. Undoubtedly, there are many uncertainties that could cause the rate to exceed or even fall short of such projections.

Dividend studs can fight inflation. Cash can't!

Regardless, investors must ensure they're ready for another year of above-average inflation, especially those overweight in cash. It's always smart to have some money ready for a stock market crash or correction. But it's not wise to leave yourself vulnerable to high inflation, especially if you've got way more cash than that of the average investor.

Undoubtedly, people like to have their "age" percentage in cash or liquid assets. While the rule of thumb ought to vary for each individual, I think investors should ask themselves if they've got too much cash for their age. Indeed, having over 50% of one's wealth in cash at the age of 30 may not be a great idea, especially if you're only expecting to put it to work after a drawdown of some arbitrary amount (think 20-50%). Such cash may never have a shot to be put to good use within your expected timeframe!

It's fine to be conservative and prudent, but it's not wise to be frightened with too heavy a cash position! For wary investors, consider dividend studs and Canadian bank such as **Bank of Nova Scotia**

(TSX:BNS)(NYSE:BNS).

Bank of Nova Scotia

Bank of Nova Scotia just clocked in an incredible quarter alongside a very generous dividend increase of 11%. Indeed, the profit beat was solid, but that didn't stop shares of BNS from falling alongside the broader markets in what was a pretty ugly day. I think the big beat effectively comes for free. I would be a buyer on a dip that I believe is completely market driven.

Bank of Nova Scotia's Q4 profits revealed compelling strength, which can only get better as the Canadian economy continues marching higher, with or without another COVID wave. With efforts in digitalization, Bank of Nova Scotia is well geared to become a top dividend stud in spite of technological disruptors targeting the financial sector. At 11.1 times earnings, with a 4.5% dividend yield, BNS stock is simply a deal that's too good to pass up.

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