3 Dividend Aristocrats That Could Help You Beat Inflation

Description

Investing in dividend stocks is an excellent and common way for investors to build sources of passive income. However, it’s important that investors choose stocks that can grow dividend distributions at a fast rate, year after year. Failing to do so will result in a loss of buying over time due to inflation. In fact, in 2021, the average inflation rate of goods was 4.4% in Canada. Therefore, investors should look for dividend stocks with dividend growth rates greater than 4.4%. Here are three Dividend Aristocrats that could help you beat inflation.

This stock is a growth machine

goeasy (TSX:GSY) is perhaps one of the most appealing dividend stocks on the **TSX**. The company provides high-interest loans to subprime borrowers. It also sells furniture and other durable home goods on a rent-to-own basis. Given these two distinct business lines, you may have guessed that goeasy has been doing very well since the start of the pandemic. As a result, the stock has gained more than 500% since hitting its lowest point during the 2020 market crash.

However, goeasy’s dividend remains the star of the show. In 2014, the company paid a quarterly dividend of $0.085 per share. By 2021, goeasy’s quarterly dividend had grown to $0.66 per share. That represents a CAGR of 34%, greatly outpacing Canada’s inflation rate. Despite having increased its dividend so much over the past few years, goeasy’s payout ratio is only 16.34%. This suggests that goeasy should have no issues raising its dividend in the coming years.

A reliable dividend stock

Investors would also do well by looking at companies that lead reliable industries. For instance, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is the larger company in a duopoly that dominates that Canadian railway industry. In fact, Canadian National ranks as the third-largest railway company in North America in terms of revenue.

Canadian National is a noteworthy dividend stock, because it is one of 11 Canadian Dividend

Aristocrats that would keep the title if Canada held the same dividend-growth requirement as the United States. In the U.S., dividend stocks are required to raise distributions for at least 25 years in order to be listed as a Dividend Aristocrat. Over the past five years, Canadian National has grown its dividend distribution at a CAGR of 8.29%. Like goeasy, Canadian National's dividend-payout ratio is relatively low (36.5%).

Have you considered investing in this company?

Alimentation Couche-Tard (TSX:ATD) is a company that doesn't receive as much attention as it should. This is a company that has a very large presence around the world. Canadians may recognize this company as Couche-Tard or Mac's, depending on where you live. However, what many investors don't realize is that the company also operates under the Circle K and On the Run brands, among many others. In total, Alimentation Couche-Tard has about 15,000 stores across 15 countries.

Investors may notice that this company's dividend is very small compared to the other dividend stocks in this article. As of its latest quarterly distribution, Alimentation Couche-Tard paid $0.11 per share. However, this dividend is growing very quickly. Over the past five years, Alimentation Couche-Tard has managed to grow its dividend at a CAGR of 19.57%. The company's payout ratio is very impressive (11.40%). Like the other dividend stocks given here, I believe Alimentation Couche-Tard can continue growing its dividend at a fast rate in the coming years.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CNI (Canadian National Railway Company)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:GSY (goeasy Ltd.)

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