These 2 Dividend Stocks Beat Inflation!

Description

Inflation is a hot topic right now, and it's a global concern. The U.S. Federal Reserve reported annual inflation at 7% yesterday. That's the fastest pace it's grown since the 1980s. Canada's inflation has been rising alongside it. Our annual inflation rate is 4.4% at the moment.

At that rate, most investors and savers should see their interest and dividends wiped off in real terms. For instance, if your dividend stock pays a 3% annual yield, you actually lose 1.4% in purchasing power when you adjust for inflation.

But some companies are so robustly profitable that their dividend yield beats the rising cost of living. Here are the top two dividend stocks that are beating this invisible tax on your wealth in 2022.

Inflation hedge #1

BCE (TSX:BCE)(NYSE:BCE) is the underrated dividend stock that should be on your radar. BCE has cemented its position as Canada's leading wireless and broadband service provider. This is a capital-intensive industry. This means companies like BCE that have the resources to upgrade the network every few years and maintain coverage across this vast country are likely to stay on top.

In other words, BCE's market dominance is robust and sustainable. With the rising population, demand for its services is only likely to increase in the years ahead. And now that the investments in 5G are being completed, BCE should see better cash flows for the near future.

All this is to say that the dividend is reliable. It's also higher than inflation. At the time of writing, BCE's dividend yield is 5.2% — nearly a full percentage point higher than the pace of expansion in the Consumer Price Index (CPI).

The dividend payout is also likely to *grow* in the years ahead, while the CPI is expected to decline. It's the ultimate defensive stock. That's why this market leader deserves to be on your watchlist for 2022.

Inflation hedge #2

If you're pessimistic about inflation and believe it's likely to stay higher for longer, there's another alternative. **Enbridge** (TSX:ENB)(NYSE:ENB) is probably one of the safest bets of 2022. That's because its top line is connected to inflation. Fuel costs are a key factor that impact the CPI calculation.

The rising cost of crude oil and natural gas is one of the biggest reasons why your wealth is being eroded this year. Enbridge stock is the perfect hedge for this. The company's top line should expand in 2022, as North America grapples with an unprecedented energy crisis.

Meanwhile, the shareholder payout should help you *expand* your wealth this year. Enbridge stock currently pays a dividend yield of 6.6%. That's much higher than the official rate of inflation and probably in line with what a pessimistic investor expects the rate to be in 2022.

If you're looking for a conservative investment strategy this year, Enbridge is an ideal bet.

Bottom line

Utilities such as energy and broadband are tied to inflation. If your cost of living is rising, you can expect these essential service providers to benefit from it. This is why dividend stocks like Enbridge and BCE should be on your radar.

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