Worried About Inflation? Buy These 3 Dividend Stocks Today!

Description

Over the long term, inflation tends to rise at about 2% per year. However, the pandemic has caused a lot of problems around the world, and even inflation has been affected. In Canada, inflation rose by about 4.4% in 2021. That's more than double the long-term average. This has negative consequences for dividend investors. Those with passive-income sources that aren't able to keep up with inflation have seen a massive loss in buying power over a single year. In this article, I'll discuss three stocks that could bolster your dividend portfolio.

Choose this impressive dividend stock

In order to beat inflation, investors need to buy shares of companies that can continually raise dividend distributions at a high rate. Generally, I look for companies that have a five-year growth rate of at least 10%. However, I'm willing to hold shares of companies that offer slightly slower growth rates if the dividend is very secure. **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is an excellent example of such a company.

Over the past five years, Canadian National's dividend has grown at a CAGR of about 8%. This growth rate is slightly below my target of 10%, but it makes up for it in other ways. Canadian National is a leader among the Canadian Dividend Aristocrats. With a dividend-growth streak of 25 years, it is one of 11 Canadian stocks that would be considered Dividend Aristocrats in the United States. In addition, its payout ratio is fairly low, at 36.5%. This suggests that Canadian National could continue raising its dividend with ease over the coming years.

Invest in the big banks

The Canadian banking industry is very highly regulated. This makes it difficult for smaller competitorsto displace the industry leaders. However, what makes these companies even more popular among Canadians is that the Big Five banks are all very reliable dividend stocks. All five of the big-namebanks are listed as Canadian Dividend Aristocrats. Of that group, my top choice is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

In its most recent earnings call, Bank of Nova Scotia announced that it would be raising its dividend by 11%. This is welcomed at a time when inflation is more than double the long-term average. Bank of Nova Scotia offers investors a forward yield of 4.33%. Generally, investors should aim to hold stocks that offer a forward yield from 3-5%. Investing in a stock with a lower yield will require a larger investment in order to receive a similar dividend pay, whereas stocks with higher yields may not be sustainable.

Buy this exceptional Dividend Aristocrat

Finally, when it comes to Dividend Aristocrats, there are few companies more impressive than **Fortis** (TSX:FTS)(NYSE:FTS). In fact, there's only one **TSX**-listed company with a dividend-growth streak longer than Fortis's 47 years. Fortis's exceptional dividend-paying ability may be due to the recession-proof nature of its business. The company provides 3.4 million customers in Canada, the U.S., and the Caribbean with regulated gas and electric utilities.

Over the past five years, Fortis's dividend has grown at a CAGR of 6%. While this is much lower than the 10% I'd prefer, it still manages to outpace inflation by a wide margin. The company's long history of increasing its dividend is also enough to persuade me that it's an elite dividend stock. The icing on the cake is the company's 3.63% forward dividend yield. This is a great company that dividend investors should hold.

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