



2 Stocks to Buy if You're Worried About Inflation

Description

Should Canadians worry too much about inflation in 2022? According to Statistics Canada, the 4.8% consumer price index in December 2021 was the highest in 30 years. Also, it was nine consecutive months that the [inflation reading](#) was way above Bank of Canada's target zone of 1-3%.

Prime Minister Justin Trudeau said, "The inflation challenge that the world is facing right now is a global challenge linked to, obviously this pandemic, but also linked to significant disruptions to supply chains around the world." Unfortunately, the 2022 business outlook survey results showed people expect inflation to be above 3% for years to come.

The devastating impact of high inflation is that prices could grow faster than wages. Tu Nguyen, an economist at accounting firm RSM Canada, has the same observation. She said rising fuel and food prices would "disproportionately" hurt low-income households, as their wages are less likely to keep pace with inflation.

[Income investors](#) worry about inflation, because it erodes purchasing power. However, there should be less worry if **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) are your core holdings. Canada's top lender and the pipeline giant are rock-solid investments regardless of the economic environment.

Back on the throne

As of January 21, 2022, RBC is Canada's largest publicly listed company by market capitalization anew. It has dethroned **Shopify** this month with a \$206.07 billion market cap versus \$139.46 billion. Moreover, at \$144.65 per share, the bank stock is up 7.75% year to date, while the tech superstar is down 36.25%.

RBC announced an 11% dividend hike in December 2021. Management's plan to repurchase \$5.68 billion worth of shares is the most significant buyback by a Big Six bank. The 53,639.79% total return (13.65% CAGR) in the last 49.14 years is proof this bank stock is best for long-term investors.

Based on the annual Financial Independence in Retirement Poll results by RBC, the new uncertainty are the effects of rising inflation on retirement savings. However, 48% of the poll respondents say they have a financial plan. Stuart Gray, RBC's Financial Planning Centre of Expertise director, said a plan helps you keep on top of your finances. He added that it's easier to adapt to those changing circumstances if you have a plan.

Low-risk commercial and financial profile

Enbridge is a [top-notch choice](#) in the energy sector. The \$104.04 billion energy infrastructure company continues to develop its existing assets and pursues growth opportunities in renewable energy. It operates in a volatile sector, yet it has maintained a low-risk commercial and financial profile for years.

The company's four franchises (gas distribution, gas transmission, liquids pipelines, and renewable power) are blue-chip assets. Apart from investment-grade clients (95%), 98% of Enbridge's contracts (cost of service) are long term, and 80% of EBITDA has built-in inflation protectors.

Furthermore, Enbridge is a Dividend Aristocrat owing to 27 consecutive years of dividend increases. If you invest today, the share price is \$51.35, while the dividend yield is a hefty 6.70%. The stock's overall return in 46.08 years is 49,685.49% (14.43% CAGR).

Reinvest the dividends

Inflation limits the ability of Canadians to increase any savings. However, investors can keep reinvesting the dividends from RBC or Enbridge to mitigate the risks during this inflationary period.

CATEGORY

1. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:ENB (Enbridge Inc.)
4. TSX:RY (Royal Bank of Canada)

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