
3 Dividend Heroes to Outpace Inflation

### Description

Not all Dividend Aristocrats grow their payouts at a relatively similar pace. Some, like **goeasy**, have grown their payouts by 360% since 2017; over the same span of time, **SmartCentres** has only grown its payout by about 8.8%.



It's important to understand that even some growth is better than no growth, because it ensures dividend sustainability, which is one of the primary reasons people choose Dividend Aristocrats. However, if you are choosing them for a healthy passive income, there you should at least seek enough dividend growth to outpace inflation.

## A financial service company

**Power Corporation of Canada** (TSX:POW) is one of the newest aristocrats in Canada and has only been growing its payouts for about six years. It's also a holding company that has a 100% stake in **Power Financial**, which has a majority stake in two other Canadian publicly listed financial companies (focused on insurance) and a couple of foreign companies.

The company has been quite generous with its dividend raises. In 2017, it was paying its investors $0.335 per share, which it has grown to about $0.495 by the end of 2021. That represents a 47.7% growth over five years, which, if evenly spread out, outpaces inflation by a considerable margin. The current yield of 4.6% combined with the attractive valuation is another reason to invest in this company now.

## A power generation company

While not *as* safe as utility, power-generation companies have a pretty stable and healthy business model. After all, it's their power that many utility companies use to distribute to their consumers. One such company is **Capital Power** (TSX:CPX), which focuses on a variety of power-generation sources to generate electricity.

Like many other conventional players in this arena, Capital Power still uses coal to produce a significant amount of its power, though it expects to phase it out by 2032. Meanwhile, the company is investing quite heavily in renewables and storage facilities.

The company has been growing its payouts for about seven years, and since 2017, it has increased its payouts by 40%, or about 8% a year, which is almost twice the amount of the most aggressively high inflation rate in recent years. It's currently offering a juicy 5.5% yield.

# A bank

The banking sector is on a tear right now, and most banks have grown their valuations so high in the last couple of years that their yields are starting to look small. That's not the case with the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), which is still offering a healthy 4.3% yield, despite its robust 85.5% post-crash growth.

The bank is fundamentally fairly valued, though, compared to other banks, it's slightly expensive. However, it's not just a great buy for its yield or valuation. It has been growing its payouts for a decade, and even though the banks weren't allowed to grow their payouts in 2020, most banks made up for it with their 2021 increase.

It has grown its payouts by about 31.5%, which, while small compared to the other two, is high enough to outpace inflation by a significant margin.



# Foolish takeaway

The three dividend companies offer enough growth to help you outpace inflation *if* you create an income stream using these companies. Try buying these companies at a dip to get a much better, discounted valuation as well as a chance to lock in a much higher yield.

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