2 Top Dividend Stocks to Help Offset Inflation

Description

Inflation is now above 5% in Canada. This has investors without inflation-adjusted earnings searching for top dividend stocks with high yields to help them keep up with the rising cost of living.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure sector with extensive oil pipelines, natural gas pipeline, natural gas storage, and natural gas utility assets. The company is also expanding its renewable energy portfolio and getting into the growing carbon-sequestration market.

Enbridge transports 25% of the oil produced in Canada and the United States and 20% of the natural gas used by Americans. It is strategically important for the smooth operation of the U.S. and Canadian economies. Existing infrastructure will become more valuable as the restrictions on new major pipeline projects increase while demand for oil and gas transport services rises. As a result, the market might upgrade the value of Enbridge's vast asset base in the coming years.

Enbridge reported solid 2021 results and is returning cash to investors this year through a 3% increase in the dividend and a new share-repurchase program. Enbridge has increased the dividend in each of the past 27 years.

Management has identified up to $6 billion per year in capital projects over the medium term and expects distributable cash flow to grow by 5-7% annually. This should support steady dividend hikes.

Investors who buy Enbridge stock at the time of writing can pick up a 6.1% dividend yield.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) is a leader in insurance, wealth management, and asset management in Canada and has large operations in the United States under its John Hancock brand.

Manulife is also expanding its presence across Asia to tap future growth opportunities, as the middle class expands in heavily populated countries.

The company generated record earnings of $7.1 billion in 2021. The outlook for 2022 and beyond should be positive as the economic recovery picks up steam, especially in Asia. At home, the Bank of Canada just increased interest rates by 0.25% and more hikes are expected over the next two years to try to tame inflation. Rising rates are generally good news for Manulife and other insurance companies, because the firms can get a better return on money they are required to set aside for potential claims on their policies. A quarter-point increase doesn't sound like much, but the impact is meaningful when you are holding billions of dollars.

Manulife stock appears undervalued at the current price near $25 per share. Investors who buy now can get a 5.2% dividend yield. Manulife raised the distribution by 18% for 2022 and another large increase should be on the way for 2023.

The bottom line on top stocks to fight inflation

Enbridge and Manulife are leaders in their respective industries and pay attractive dividends with yields that are above the current rate of inflation. If you have some cash to put to work inside a TFSA or other portfolio focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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