Nearing Retirement? 1 of the Cheapest Dividend Stocks to Buy Right Now

Description

If you're retired or are close to being, you may need to revamp your portfolio allocation, with unforgivingly high levels of inflation and the continuously unrewarding nature of cash, cash equivalents, money market funds, and bonds. Undoubtedly, inflation is near 6% in Canada and around 8% in the United States. It's alarmingly high, and it could prove difficult to put the genie back in the bottle.

Now, late 2022 could see peak inflation, but that means investors will need to deal with what could be another year of 6%-10% being taken off the purchasing power of their savings. That's a big deal. And savers or overly conservative investors need to ask themselves if the safety and comfort of a 60/40 or 50/50 portfolio (that's an allocation of stocks to bonds) are still worthwhile, given the bond portion is likely to give up considerable ground to inflation.

Retirees have a difficult choice to make

You should always have risk-free assets. Stock market plunges happen, and you'll need dry powder on the sidelines just in case. But how much is too much? Indeed, that's a personal question that likely differs for every retiree. In any case, inflation is a penalty you'll have to endure for holding too much cash. The penalty may or may not be worse than the magnitude of volatility and risk you'd face in the equity markets. While equities will always be considered a "risky" asset, an argument could be made that cash is also "risky" from an opportunity cost standpoint. Amid high inflation, such opportunity costs seem at a generational high. That's why retirees and other investors need to pro-actively take steps so their retirements aren't jeopardized. Stock market plunges, and high inflation are serious threats to retirement plans.

Sure, equities are risky. But that doesn't mean you need to jump into the deepest end of the stock market waters. Heck, you could ease into the shallow end with risk-off securities like utilities or other low-beta, lowly-correlated stocks. In fact, it's better you do so. The higher the dividend yield and inherent value? The less risky they'll be and the more likely that they can help you move through these incredibly horrid times.

Fighting inflation with cheap, quality businesses

Inflation is no friend to savers or investors. It's also a massive enemy for overly-conservative retirees. That's why it may be worth considering dividend stocks like **Restaurant Brands International** (TSX:QSR)(NYSE:QSR).

The company behind Burger King, Popeye's, Tim Hortons, and Firehouse Subs, is looking to trade at a considerable discount after an arduous recovery from the worst of the COVID crisis. In due time, the reopening will continue, and dining rooms will reopen. Still, the threat of stealth Omicron could act as a road bump en route to a full post-pandemic recovery. In any case, QSR is investing in improving its digital, drive-thru, and delivery capabilities. The "three D's," as they call them, are key to resilience amid tough times for restaurants.

With a sizeable dividend yield (3.7%) and a dirt-cheap valuation (3.2 times sales), I view the stock as an intriguing long-term holding for those looking to beat inflation today and into 2023.

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