3 Safe Canadian Dividend Stocks for Rising Inflation

Description

Everything is costing more — from groceries to pumping fuel at the gas station to getting a haircut at the salon! Inflation is a normal phenomenon where a normal basket of goods consumed by everyday folks rises in cost. However, recent inflation rates have been higher than usual due to "supply chain disruptions and pent-up consumer demand for goods following the reopening of the economy," as described by this *Forbes* article.

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There's no need to panic, though. Here are three safe Canadian dividend stocks that can help you combat rising inflation!

Bank of Montreal stock

Bank of Montreal (TSX:BMO)(NYSE:BMO) stock trades at a reasonable valuation of about 11.5 times earnings. Under normal market conditions, the bank's return on equity stays favourably in the teens range.

Given its ability to grow its earnings per share at a single-digit rate, the safe Canadian dividend stock can deliver long-term returns of about 9% per year. Today, BMO stock provides a safe yield of about 3.5%. Its quarterly dividends allow investors to sit on the stock and earn periodic returns without selling a single share.

The stable big bank will continue to benefit from Canada's sound financial regulatory system and enjoy an oligopoly structure. New immigrants are more likely to bank and manage their money with big Canadian banks instead of smaller ones.

Investors can more than keep up with the long-term rate of inflation by sitting back and receiving a growing dividend from the big Canadian bank stock.

Fortis stock

Higher inflation recently did not deter quality utility stocks from grinding higher. In fact, **Fortis** (TSX:FTS)(NYSE:FTS) stock is trading at pretty much its all-time high! This means investors are piling their money into the highly predictable stock. It's predictable in terms of its earnings and dividend payments.

Fortis provides essential products and services. Most of its assets are for transmission and distribution. Therefore, the regulated electric and gas utility makes highly stable earnings through market cycles. Consequently, it has been able to increase its dividend every year for close to half a century!

The Canadian dividend stock yields 3.5% right now. It will be able to raise its dividend faster than inflation for the long term as it has in the past. While I wouldn't jump into the stock today because of its full valuation, investors who bought FTS stock from a much lower cost basis should feel quite comfortable after the price appreciation in the last year.

Canadian Net REIT

I'm surprised **Canadian Net REIT** (TSXV:NET.UN) doesn't trade at a higher valuation. (Its fair value should be about 15% higher from $7.85 per unit.) Perhaps it's because it's largely ignored by Bay Street, trades on the **TSX** Venture Exchange, and has low trading volume. However, if you look into the Canadian dividend stock, you'll find that it's perfect for passive-income TFSA investors looking for a bit more growth. Canadian REITs don't normally provide the kind of growth that Canadian Net REIT does.

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The Canadian REIT pays a monthly cash distribution that yields 4.3% at writing. It has hiked its dividend for about a decade with a five-year dividend-growth rate of approximately 13%. The dividend is protected by growing funds from operations (FFO) and a sustainable FFO payout ratio of about 50%. Its cash flows are more stable than the usual REIT, because it invests in commercial real estate under long-term management-free and triple-net leases.

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