Retirees: 1 Dividend Stock to Buy in April 2022

**Description**

Retirees have been dealt a bad hand. We all know this. With inflation acting as an increased penalty for those who hoard cash and increased levels of volatility in the broader markets, it's tough to tell where one should put their nest egg to grow their wealth without running the risk of being caught offside.



## Cash, bonds, crypto, gold, and stocks: Which one to protect from inflation's impact?

Cash and cash equivalents are assets that are free from risk. But in an era of 5-8% inflation? I'd argue that such risk-free investments are risky from a purchasing power standpoint. It's not easy to step into the grocery store and see prices taking off.

Canadians dread inflation, and the Bank of Canada (BoC) needs to stomp it out this year with rate hikes. Fortunately, the BoC has hinted that it could get tougher on rate hikes in the battle against elevated inflation. The higher prices are not good for anyone, especially retired investors or those close to being.

So, cash is less tempting to hold, even as a more conservative retiree.

## What about bonds?

They're somewhat more rewarding, but they're still a guaranteed way to lose money, given the inflation rate. Indeed, it's not a great way to go, and given volatility, it's arguably a worse asset to invest in than cash. At least cash is liquid, and you won't lose considerable sums over the near term. With rates on the rise, bond prices are poised to decline — a tricky proposition for any investor who seeks to get ahead.

## What about cryptocurrencies and precious metals?

Cryptocurrencies may introduce more volatility and risk to a portfolio than improving upon one's diversification. There's far too much speculation in **Bitcoin**, even though prices have steadily risen amid climbing macro risks, including the Russian invasion of Ukraine.

Precious metals are a great store of wealth. Gold and silver even have a bit of momentum built in them over the recent weeks. Just because they're an inflation-resilient store of wealth doesn't mean they can help you build wealth at an above-average rate. If anything, they could keep up with inflation.

## Stocks: The only game in town?

So, that leaves "risky" equities on the table. They're still the best game in town for those looking to hold for at least five to 10 years. To reduce risk, insist on lower-beta companies with modest valuations and solid margins of safety. And, of course, ensure profitability, predictability, and that a firm behind a stock is, in fact, excellent with a healthy balance sheet.



## Algonquin Power: Powering your portfolio past inflationary times

In Canada, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is one firm that strikes me as a bargain with a margin of safety. The steady balance sheet, long-term tailwinds in renewable power, and stellar dividend (currently yielding 4.5%) make for a stock that can help conservative investors stay ahead of inflation. While higher rates will eat into the firm's profitability prospects, I think that the current valuation leaves a lot of wiggle room.

Even if AQN stock were to go nowhere over the next two years, the dividend should, at the very least, help investors stay ahead of inflation. Given the conservative nature of the power and utility mid-cap, I'd argue that the risk/reward is in a sweet spot for those looking to shelter themselves from volatility and inflation.

## The bottom line for retirees

Algonquin may have issues to iron out with operations, but if there's anyone who can do it, it's Ian Robertson and his strong team. AQN stock is way too cheap and underrated, in my opinion, given inflation and volatility.

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joefrenette