3 Dividend Stocks That Could Help You Beat Inflation

Description

For the past year or so, inflation has been a very popular topic of discussion among investors. We've seen inflation increase at a very fast rate, causing investors to worry about losing buying power in their passive-income sources. In order to combat that issue, investors should hold shares of companies that are able to increase dividend distributions faster than the inflation rate. In this article, I'll discuss three such companies.

This reliable company should be on your shortlist

When it comes to dividend stocks, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is one of the first stocks that comes to mind. It's listed as a Canadian Dividend Aristocrat. In fact, it's one of only 11 companies on the **TSX** that has managed to establish an active dividend-growth streak of at least 25 years. That makes it an elite Canadian dividend company.

In this article, I try to identify stocks that could beat inflation. I do that by looking at a stock's five-year dividend-growth rate. In the case of Canadian National, its quarterly dividend has grown from $0.413 per share in 2017 to $0.733 per share today. That represents a CAGR of 12.2%, easily beating even this year's inflation rate.

The banks are excellent dividend stocks

When looking for dividend stocks to add to your portfolio, it should be inevitable that investors land on the Canadian banking stocks. These companies are well known for paying stable dividends to investors. In addition, these companies usually offer very attractive dividend yields. This combination of a reliable dividend and giving good value for every dollar spent makes the Canadian banks a must-have in any portfolio.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is an example of a dividend stock you should consider for your portfolio. Another Canadian Dividend Aristocrat, Bank of Nova Scotia's dividend-growth streak spans 11 years. Over the past five years, its dividend has grown at a CAGR of 5.6%. Although not as high as Canadian National's growth rate, it does beat the long-term inflation rate of 2%. Bank of Nova Scotia's most recent dividend increase was an impressive 11%. This suggests that the company may be able to bump up its increases alongside the rising inflation rate.

A stock you may not have considered before

The TSX hosts a vast number of dividend stocks. With that said, there are actually many dividend stocks in Canada that are worth considering. Some, like **Alimentation Couche-Tard** (TSX:ATD) may have slipped under the radar. This company doesn't have the most exciting business, but it's a stable one. That's exactly what investors should be looking for in the stocks they hold.

Like Bank of Nova Scotia, Alimentation Couche-Tard has increased its dividend in each of the past 11 years. It has also managed to establish a very impressive five-year dividend-growth rate of 19.6%. Despite that very fast increase in its dividend, Alimentation Couche-Tard maintains a payout ratio of about 11%. That suggests that the company could continue to comfortably increase its dividend over the coming years.

CATEGORY

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2. Investing

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2. NYSE:CNI (Canadian National Railway Company)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNR (Canadian National Railway Company)

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