2 Ways to Fight the Record-High Inflation

Description

Inflation and *recession* are the two buzzwords that have worried everyone from typical Canadian consumers to seasoned investors. And there is some rational logic to this fear. The recession can reset the market and would be devastating for the economy and businesses that are still reeling from the impact of the pandemic.

And inflation does more than just raise prices and increase the cost of living. It also erodes your savings at a robust rate, especially if they simply grow in your savings account.

If you want to counter the impact of inflation and keep your wealth and savings in a healthy shape, there are two simple approaches you can take.

First approach: Buy a Dividend Aristocrat

The primary characteristic of a Dividend Aristocrat is that it raises its dividends. And if you can buy one that can reasonably preserve your capital *and* grow its payouts at a high enough rate to outpace inflation, you can easily counteract the impact of inflation.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) would be a wise choice in this regard. It has been growing its payouts for over a decade, and it enjoys the characteristic safety of a Canadian bank. The stock itself, even though it's not an avid grower, *can* offer decent capital preservation and even appreciation in the right market conditions.

Most importantly, it's usually the most generous dividend payer among the Big Six. Even now, it's offering a yield of almost 5%. It has also raised its payouts from $0.82 per share in 2018 to $1 per share in 2022. Annualized, that's roughly 4.3% growth, which is *usually* enough to outpace inflation, though not at the current rate.

Second approach: Buy a decent growth stock

The second approach is relatively straightforward: Keep your funds/savings growing faster than inflation is eradicating them. Even if you are not taking advantage of the growth, just the fact that your savings are actually growing instead of losing money to inflation already puts you in a stronger financial position.

A wise choice in that arena would be **Alimentation Couche-Tard** (TSX:ATD). It's one of the largest convenience store chains in Canada and globally. It operates through multiple brands, most prominently Circle K and Ingo, each of which has its own geographical dominance. Circle K has a presence in 26 countries, and Ingo has 440 automated fuel stations in Denmark and Sweden.

What's much more impressive about the company is the growth rate of its stock: over 750% in the last 10 years. Even at a 7% rate, the inflation would take more than a decade to make your savings virtually worthless. Alimentation Couche-Tard, however, if it keeps growing at the same pace, might increase your capital by 7.5 times in the same time frame, radically eradicating the impact of inflation.

Foolish takeaway

Bank stocks like BNS are safe enough assets to park their savings in and beat inflation, even for most conservative investors. The return potential, if you factor in the dividends, is quite decent and growing. That doesn't mean investing in a growth stock like Alimentation Couche-Tard is inherently risky. And even if it's slightly riskier comparatively, the growth potential makes it worthwhile.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/26
Date Created
2022/05/26
Author
adamothman