
3 Stocks to Safely Outpace a 6.8% Inflation Rate

## Description

Many people have difficulty understanding what inflation is and how it works, because its real-life impact is too divided to get a clear picture of its impact. But even if you don't understand the specifics, it's important to realize that inflation *does* deplete the buying power of your cash, even if your cash itself remains the same or even if it's growing at a slow rate.



Think of it as a tug of war. If the growth rate is higher than the inflation rate, your finances are winning. If it's the other way around, your cash is losing. And to remain relatively safe, it's a smart idea to set a high enough benchmark for growth, like the current 6.8% inflation rate, which is higher than it has been for decades. And there are several safe growth stocks that will allow you to outpace inflation.

# A Canadian bank

**National Bank of Canada** (TSX:NA) has been the best bet for capital appreciation in the Canadian banking sector, at least in the last decade. The stock was a consistent grower even in the three to four years before the pandemic, in which the Big Five banks saw minimal growth. The 10-year CAGR is almost 15%, more than double the currently high inflation rate.

The banking sector went through a small correction phase, and even though the National Bank stock has mostly recovered, it's still trading at an 8% discount from its 2021 peak. This has contributed to an attractive valuation and a decent yield of 3.79%.

This bank stock offers the perfect combination of long-term safety, adequate growth, and healthy dividends, ideal for a conservative investor.

# A REIT

If you are looking for a leader in its respective industry, **Canadian Apartment REIT** (TSX:CAR.UN) is a strong contender. Not only does it offer you the most tangible of assets — i.e., real estate — but it can also help you outpace inflation by a decent margin. Even in its currently downtrodden state, where the stock is trading at a 22.3% discount from its pre-pandemic peak, the 10-year CAGR is at 11.45%.

If you price in the discount and the extra growth you can reasonably expect from the recovery alone, this REIT will allow you to stay well ahead of inflation. It also offers dividends at a modest yield, and as an aristocrat, it will keep growing its payouts. The dividend growth rate is also comparable to, if not higher than, inflation in any given year. So, even the dividend income outpaces inflation.

## A consumer staples company

**Metro** (TSX:MRU) has a healthy business model built around two evergreen ingredients: i.e., food and medicine. It operates a large chain of 950 food stores and 650 drug stores and has 10 different brands under its banner. Its financial health is also reflected in its status as a Dividend Aristocrat, though its yield is quite low.

However, the 17.1% 10-year CAGR is not only enough to outpace the current inflation rate by a significant margin, but it will also help you grow your nest egg to a decent size, assuming you hold the stock for long enough. The safety of its business model and the focus on food and medicine — two things consumers almost never stop spending on — also make it a viable long-term holding.



## Foolish takeaway

The three blue-chip stocks allow you to counter inflation without raising your portfolio's risk profile to uncomfortable levels. All three companies also offer and raise their dividends, so if you are investing a healthy enough sum, you can also produce a passive income that outpaces inflation.

**CATEGORY**

1. Dividend Stocks
2. Investing

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2. TSX:MRU (Metro Inc.)
3. TSX:NA (National Bank of Canada)

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adamothman