3 High-Yield Dividend Stocks That Could Out-Earn Inflation

Description

Even though governments have a lot of power at their disposal, it takes a lot of time to put the inflation "genie" back in the bottle once it's out. People have even less power to fight the damning effects of inflation.

One of the most common methods is simply out-earning the inflation — i.e., earning more than the load inflation places on the cost of living. And one of the easiest ways to do it is to invest in high-yield dividend stocks.

A mortgage company

Even though banks dominate this arena, there are quite a few non-bank players in the residential and commercial mortgage industry in Canada.

And one of the largest players is **First National Financial** (TSX:FN). It has a decent portfolio of commercial and residential mortgages and offers a wide variety of flexible financing solutions, which allows it to carve out a place for itself in the market dominated by the banks.

But its business model and market presence are not nearly as intriguing as its dividends. This generous aristocrat, which has been growing its payouts for some time now and is also in the habit of offering potent special dividends, can help you outpace *and* out-earn inflation.

Thanks to its generous 6.93% yield, you can add over $115 per month to your primary income by investing $20,000 in this mortgage company. This *may* help you counteract the high cost of inflation.

A REIT

Another aristocrat that, even though it offers very modest dividend growth, can help you generate a passive income that will probably stay ahead of inflation is **SmartCentres REIT** (TSX:SRU.UN). This leader in the enclosed retail space is now expanding its reach to residential properties and urban centres, which opens many new growth potential doors for the REIT.

Its aristocratic status is currently in doubt since it hasn't raised its payouts for the last two years. Still, considering its brutally safe payout ratio, the REIT may revert back to its aristocratic practice of growing its dividends. The current yield is generous enough at 6.63%, and at a price-to-earnings ratio of 4.55, the REIT is more than just a discounted bargain.

A pipeline company

The energy sector has been experiencing a rapid rise since the last quarter of 2020, which may turn into a proportionally epic correction as oil prices go down. However, stable giants like **TC Energy** (TSX:TRP)(NYSE:TRP) may remain relatively safe. The stock hasn't even reached its pre-pandemic peak yet, which is currently a rarity in the energy sector, where most stocks have blown past that mark.

The yield it offers is not as attractive as the other two but is decent at 5.2%. And since it's an established aristocrat that has grown its payouts by 30% in the last five years, its dividends *may* help you stay ahead of inflation. This investment gets an added layer of safety and security thanks to the pipeline-based business model.

Foolish takeaway

The current bear market, which stronger in some sectors than others, allows you to buy many dividend stocks at a discounted price. And an additional benefit of these discounts is that you also get to lock in a relatively more attractive yield. The higher yields *can* help you generate a sizeable enough passive income to at least partially neutralize the impact of inflation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:FN (First National Financial Corporation)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
4. TSX:TRP (TC Energy Corporation)

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