Holding Cash? It Might Be Time to Buy Stocks

Description

People usually invest for the future or retirement and not for inflationary times. In today's off-the-charts inflation, cash isn't necessarily the king or saviour. Your financial cushion today is only for the short term. Over the long term, you might have to surrender a greater percentage of your cash to inflation.

Cash is an inflation hedge, although it's a non-growth asset. Furthermore, holding more of it idle isn't good if the enemy is inflation. Money under your pillow or in a regular savings account needs protection too. Hence, now might be a good time to buy stocks that can help your extra cash earn more cash.

Protect your finances

Personal finances take a big hit if food prices, energy bills, medical expenses, and even housing costs continue to rise. Not everyone has the capital to invest, but if you do, protect your finances by investing in stocks — particularly dividend-growth stocks.

Simple growth stocks aren't ideal in today's market conditions, since most of them don't provide steady income streams. Investors derive gains from price appreciation only. However, dividend-growth stocks or Dividend Aristocrats will continue paying dividends, even if the share prices decline. Historically, these quality stocks rebound from market downturns.

Longest dividend-growth streak

National Bank of Canada (TSX:NA) is a reliable dividend payer like the Big Five banks. While the country's sixth-largest lender can't boast a dividend track record of more than 100 years, its dividend-growth streak of 12 years is the longest in the banking sector.

At $26.06 per share, this bank stock is down 26.8% year to date due to the negative market sentiment. During the COVID year, the price plunged to as low as $14.54. But by year-end 2020, NA settled at $27.18, or 86.9% higher. In late 2021, management raised its dividend by 23% then by another 5.7%

after the Q2 fiscal 2022 earnings release. If you invest today, the dividend yield is 4.76%.

Regulated utilities

Emera (TSX:EMA) can sustain paying increasing dividends because of its regulated utility assets. Also, its regulated electricity generation and electricity & gas transmission and distribution business is enduring. Besides Canadians, the $15.85 billion energy and services company serve business and residential customers in the U.S. and four Caribbean countries.

The utility stock trades at $60.60 per share and pays a 4.37% dividend. More importantly, Emera has raised its dividend for 15 consecutive years. Management plans to increase the dividend annually by 4-5% through 2024. Investors hold this Dividend Aristocrat for the defensive nature of the business.

Resilient for the long haul

Enbridge (TSX:ENB)(NYSE:ENB) has increased its dividends every year since 1996, despite operating in the volatile energy sector. Current investors enjoy a 14.3% year-to-date gain on top of the hefty 6.42% dividend. At only $54.74 per share, would-be investors get value for money.

Like the NA and the Big Five banks, this $109.76 billion modern energy delivery infrastructure company is an investment for the long haul. It's 53,946.38% (14.48% CAGR) total return in 46.52 years is proof of Enbridge's resilient performance amid economic downturns.

Zero ROI

Cash offers instant liquidity but generates zero return in investment. As suggested earlier, use your spare cash to make money through investments in dividend-growth stocks.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:EMA (Emera Incorporated)
3. TSX:ENB (Enbridge Inc.)
4. TSX:NA (National Bank of Canada)

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