2 Safe Dividend Stocks to Beat Inflation

Description

Inflation hurts everyone's pockets, but the abnormally high level today means you can lose purchasing power twice or thrice faster. The Bank of Canada's target range is between 2% and 3% but the actual inflation rate in August 2022 was 7%. Even if economists projected the rate to fall to 6.8% in September, the gap is far and wide. Statistics Canada will report the latest reading on October 19, 2022.

Meanwhile, Canadians investors can resort to dividend stocks to gain protection against inflation or even beat it. Dividend-paying companies are ideal inflation-fighters, but not all have staying power. The safe dividend stocks today are the **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Canadian Utilities** (TSX:CU). Read on to see why you should own one or both of these stocks in this era of high inflation.

The first dividend-payer

BMO's dividend track record is approaching two centuries, and the $83 billion bank has been paying dividends since 1829. Recession fears create downward pressure on stocks, including this dividend pioneer. At $125.29 per share, BMO underperforms with its -5.23% year-to-date loss. Nevertheless, its 4.51% dividend should be safe and sustainable given the low 30.64% payout ratio.

The fourth-largest bank in Canada is the eight-largest bank in North America by asset size. It derives revenues from three core operating groups, namely Personal & Commercial Banking, BMO Wealth Management, and BMO Capital Markets. According to management, the diversified business mix is built for endurance.

Apart from market-leading growth, the mix provides valuable resilience during periods of heightened stress like we're seeing today. BMO is also focused on growing its footprint in the U.S. to drive long-term growth. Investors can look forward to the impending merger of its subsidiary, BMO Harris Bank in Chicago, with San Francisco-based Bank of the West.

The proposed US$16.3 billion transaction is one of the biggest deals in Canadian banking history. Once BMO obtains regulatory approval, it will be a powerhouse in affluent U.S. markets with a presence in 32 states.

Darryl White, CEO of BMO Financial Group, said, “This acquisition will add meaningful scale, expansion in attractive markets, and capabilities that will enable us to drive greater growth, returns and efficiencies.”

The first dividend king

Canadian Utilities is irresistible to income investors because the utility stock is the **TSX’s** first dividend king. Only companies that have increased dividends for 50 consecutive years can earn such an enviable status. The $9.92 billion diversified global energy infrastructure corporation should keep the dividend growth streak going as earnings climb due to the expansion of its regulated and long-term contracted investments.

Thus far in 2022, CU’s financial performance has been steady. In the first half of 2022, CU’s net earnings increased 16% year-over-year to $355 million. As of June 30, 2022, the cash position of $253 million is 386.5% higher than year-end 2021. Notably, cash flows from operating activities during this period reached $1.06 billion compared to $784 million from a year ago.

If you invest today, the share price is $36.90 (+4.14% year-to-date), while the dividend yield is an attractive 4.88%.

Feast and cope

To cope with rising inflation, investors, young and old alike, can feast on the safe dividends offered by enduring, stable companies like BMO and Canadian Utilities.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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2. TSX:BMO (Bank Of Montreal)
3. TSX:CU (Canadian Utilities Limited)

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Date
2025/08/15
Date Created
2022/10/06
Author
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