2 Safe Dividend Stocks to Beat Inflation

Description

If there was a time to think about investing in dividend stocks, I'd argue that this would be it. Rising interest rates and inflation aside, volatility has been a major pain point for investors this year. A steady stream of passive income can go a long way in times of uncertainty like these.

The Canadian stock market as a whole may only be down 10% on the year, but the volatility has made it seem much worse than that. In addition, rising interest rates and inflation are causing lots of uncertainty in the short term for investors. It's harder than ever to forecast what the next few months for the stock market could look like.

Despite the uncertain conditions, though, now is not necessarily the time to be on the sidelines. Long-term investors have the opportunity to load up on high-quality TSX stocks that are trading at bargain prices. Dividend stocks could be another route to go, especially if you're looking to fight inflation with your investment portfolio.

Building a passive-income stream

The market downturn this year has sent yields soaring for many dividend stocks. As a result, it's not overly difficult to find a dependable dividend stock yielding upwards of 4%. While that might not be enough to keep up with inflation, it can help minimize the impact of volatility.

I've reviewed two Canadian dividend stocks that passive-income investors would be wise to have on their radar.

Dividend stock #1: Bank of Nova Scotia

If passive income is what you're after, you can't go wrong with any of the major Canadian banks. The Big Five are all currently yielding above 4% and own some of the longest dividend-payout streaks you'll find on the TSX.

Like every company on the TSX, Canadian bank stocks are not immune to volatility. That being said, not many areas of the Canadian stock market have been more dependable than the banking sector in recent decades.

Bank of Nova Scotia's (TSX:BNS) 6% yield ranks it as the highest amongst the Big Five. In addition to a top yield, Bank of Nova Scotia has been paying a dividend to its shareholders for close to two centuries. Amazingly, that nearly 200-year streak ranks only second within the Big Five.

If a dependable, and high-yielding, stream of passive income is what you're after, you can't go wrong with Bank of Nova Scotia.

Dividend stock #2: Algonquin Power

Speaking of dependability, utility stocks are as defensive as they come. Predictable revenue streams tend to lead to very low levels of volatility for utility companies.

At a market cap of $10 billion, **Algonquin Power** (TSX:AQN) is a Canadian utility leader. The company also boasts a growing presence in the U.S., providing investors with much-needed diversification from the Canadian economy.

Algonquin Power's annual dividend of $1.00 per share is good enough for a yield of more than 6.5% at today's stock price.

This utility company may not be able to match Bank of Nova Scotia's incredible payout streak. But if you're concerned about volatility in your portfolio, Algonquin Power is the perfect company to help ease your concerns.

CATEGORY

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