3 TSX Companies With Dividends That Outpace Inflation

Description

Inflation eats away Canadians' purchasing power. $100 today buys much fewer goods and services compared to a decade ago. Last year, we experienced higher inflation than recent history. After peaking at 8.1% in June 2022, inflation declined to 6.3% in December 2022. However, it's still high versus the Bank of Canada's target of about 2%.

So, some economists believe that our central bank will make another interest rate hike of 0.25% on January 25. If that occurs, investors may get a better opportunity to buy solid dividend stocks at cheaper prices and bigger dividend yields. In any case, with the Bank of Canada's monetary policy in place, inflation will eventually return to the normalized 1-3% range.

Here are a few TSX stocks that offer cash distributions that outpace inflation.

Enbridge stock

Enbridge (TSX:ENB) stock has a strong track record of dividend payments. Specifically, it has increased its dividend for about 27 consecutive years. For reference, its three-year dividend-growth rate is 5.2%.

The massive energy infrastructure company generates cash flows from a portfolio of gas transmission and distribution, liquids, and renewable power assets. Its cash flows are of high quality with 95% coming from investment-grade customers. As well, they're diversified across over 40 sources.

ENB stock maintains a payout ratio of about 65% of its distributable cash flow, which supports a healthy dividend and leaves sufficient cash flow to grow the business.

At $55.83 per share at writing, the high-yield stock is fairly priced and offers a yield of just under 6.4%. Its dividend alone can help you maintain your purchasing power over the next few years. Future dividend growth will further get you ahead of inflation.

Chartwell Retirement Residences

Chartwell Retirement Residences (TSX:CSH.UN) was hit hard during the pandemic with lower occupancy at its retirement homes. This occupancy steadily improved from 77.7% at the end of September 2022 to 78.6% at the end of December 2022.

Perhaps the biggest booster of investor confidence is that the real estate stock maintained its monthly cash distribution of $0.051 per unit for unitholders of record on January 31, 2022. This cash distribution will be payable on February 15.

At $9.56 per unit at writing, it's still good for a yield of 6.4%, which outpaces recent inflation. The analyst consensus 12-month price target of $11.33 may also result in price appreciation of 18.5% that further boosts investor returns.

NorthWest Healthcare Properties REIT

Thanks to rising interest rates, the valuation of **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) has come down as the stock sold off. Consequently, investors could park money in their Tax-Free Savings Account (TFSA) for a high yield of 8%.

Its portfolio is diversified across 233 income-producing properties, such as medical office buildings, clinics, and hospitals, throughout major markets in Canada, the United States, Brazil, Europe, Australia, and New Zealand. It is characterized by high occupancy and long-term leases that are indexed to inflation.

At $9.99 per unit at writing, analysts believe the global healthcare real estate investment trust still trades at a decent discount of 21%. In other words, upside potential of 27% over the next 12 months is possible.

The Foolish investor takeaway

Last month's inflation rate was 6.3%. We can expect that to drop further this year. Nonetheless, inflation continues to reduce Canadian's purchasing power. You can outpace inflation with a boost of income from these dividend stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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