Worried About Inflation? 3 Dividend-Growth Stocks To Protect You From Rising Prices

Description

Inflation in Canada is currently near multi-decade lows. However, with the flood of liquidity that central banks around the world have injected into the financial system, many are wondering whether a sharp increase in inflation is right around the corner.

Inflation levels of the 1970s and 1980s are not likely to reappear anytime soon. However, inflation exceeding 2% to 3% would pose a significant challenge to savers across the country. Those with traditional savings accounts and even those with high-interest savings accounts would likely begin to lose purchasing power as the cost of goods and services increased faster than money could safely grow in savings accounts. On the other hand, these three stocks will provide a much better defence against inflation.

Equitable Group

Equitable Group (TSX:EQB) is probably best known as the owner of EQ Bank, one of the largest branch-less banks in Canada. EQ Bank routinely offers one of the highest interest rates on savings accounts in the country. However, EQ Bank's current interest rate for savings accounts is 1.7%. This compares to inflation near 2% before the pandemic hit in March. Owning Equitable Group shares is therefore a better defence against long-term inflation.

Equitable Group reported Q2 2020 results last month. The company reported an 8% increase in deposit balances at EQ Bank, along with a 52% increase in customers. Equitable Group also declared a $0.37 per share quarterly dividend.

Equitable Group has increased the dividend from $0.20 per share in 2016 to $0.37 per share in 2020. That equates to an 85% increase to the dividend in four years. That will handily help preserve, and even increase, the purchasing power of the dividend over time.

Intact Financial

Intact Financial (TSX:IFC) is the largest property and casualty (P&C) insurer in Canada. This segment of the insurance market lends itself well to dividend growth. Car and home insurance are mandatory for many individuals. These are not optional expenses. One can forego life insurance despite the risks of doing so. However, you can't legally drive in Canada without auto insurance.

Intact's products and services therefore enjoy continued and predictable demand. Intact has slowly and quietly built a reputation for itself as one of the best Canadian large-cap dividend growth stocks.

Intact currently pays a dividend of $0.83 per share. This results in a dividend yield of just over 2%. Over the past 10 years, Intact has grown the dividend at an average annual rate of approximately 9%.

This means that you can expect the dividend to maintain the purchasing power that it currently has, even if inflation begins to pick up. If inflation remains low, expect the purchasing power of the dividend to significantly increase over time.

goeasy

goeasy (TSX:GSY) is involved in the alternative lending and merchandise financing business through the easyfinancial and easyhome brands. These two businesses will do well in a rising-rate environment because of the ability to pass on any increase in interest rates to customers. Similar to banks and other lenders, goeasy profits based on the spread between what it can borrow for and what it can lend to customers for.

goeasy has grown the dividend at an eye-popping average annual rate of 18% since 2010. Recently, goeasy increased the per-share dividend by $0.14, or 45%, from $0.31 to $0.45. goeasy is clearly trying to signal to the market that the company is serious about dividend growth.

However, goeasy announced this monstrous dividend raise back in February, before the economic shutdown began in March. Therefore, dividend raises of that magnitude may not be forthcoming in 2021. With that said, despite the pandemic and economic shutdown, expect goeasy to continue increasing the dividend regularly. Even if inflation significantly spiked, goeasy's dividend will still likely increase in purchasing power over time.

Takeaway

Higher inflation may or may not be around the corner. If you're concerned about the possibility of higher inflation eating into your savings and income streams, consider these great dividend-growth stocks.

Given that dividend growth stocks tend to be successful due to the profitable underlying business models, investors can also expect an appreciation in the share price of these companies over time.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Top TSX Stocks

POST TAG

1. dividend
2. Equitable Group
3. goeasy
4. Inflation
5. Intact

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:GSY (goeasy Ltd.)
3. TSX:IFC (Intact Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Top TSX Stocks

Tags

1. dividend
2. Equitable Group
3. goeasy
4. Inflation
5. Intact

Date
2025/07/20
Date Created
2020/08/17
Author
kwalton