3 Tips to Make You a Better Investor: Part 1

Description

Whether you are new to investing or have some experience under your belt, here are some tips to make you a better investor. Here, we're focused on the long term; we believe that quality companies will only become more valuable over time.

First, let's start with the companies that pay you while you wait for them to become more valuable.

1. Buy quality dividend-growth stocks as your foundation

Generally speaking, dividend-growth stocks are safer than dividend stocks. Buying a stock that keeps its dividend the same is not as safe as buying a stock that has just raised its dividend.

To build the foundation of your portfolio, choose dividend-growth stocks that tend to have stable earnings and pay you a good starting yield. I'm talking about utilities such as **Fortis Inc.** (TSX:FTS) and banks such as **Royal Bank of Canada** (TSX:RY)(NYSE:RY). They pay yields of 3-4% and grow their dividends 5-8% a year.

As an investor, you will be less emotional and have less of a chance of making mistakes with these stocks because you know you're buying quality; you will get paid and could get an income raise even in a down market.

2. Dollar-cost average into holdings

The market goes up and down. Stocks go up and down. It's simply impossible to predict if they will go up or down tomorrow, next week, or next month.

Dollar-cost averaging into positions is a way investors can protect themselves by not putting a big lump sum into any stock at any time. It is also a simple strategy for investors who don't want to figure out if they're buying at a cheap or expensive price.

By buying the same dollar amount in quality businesses periodically, you're buying more shares when it's cheap and less shares when it's expensive. But all your shares pay you a dividend and that income will only increase over time.

3. Buy quality in a market meltdown

Another strategy is to leave some cash aside to buy during a market meltdown. How many investors had the conviction to buy during the Financial Crisis of 2008-2009? If you bought equal dollar amounts in diversified companies like Royal Bank of Canada, Fortis, **BCE Inc.** (TSX:BCE)(NYSE:BCE), **TransCanada Corporation** (TSX:TRP)(NYSE:TRP), you would be up 92% by now, and would have received many dividends at extraordinary high yields.

Even if you didn't buy at the bottom during a market meltdown, you would certainly be buying at fire sale prices. You should not be worried about the companies going bust if you're buying a basket of quality dividend-growth companies.

In conclusion

Foolish investors can't go wrong by building a foundation portfolio with blue-chip dividend-growth stocks that become more valuable over time and tend to increase payouts to shareholders every year.

Dollar-cost averaging and buying quality companies during a market meltdown are two strategies that can be employed, and there's no reason Foolish investors can't use both.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TRP (Tc Energy)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)
7. TSX:TRP (TC Energy Corporation)

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