

Why You Should Focus on Dividends Instead of Stock Prices

Description

If you're thinking of investing in the stock market or have already started, you're probably doing so with making money in mind. I mean, no one wants to lose money, right? There are very good reasons why you should focus on dividends instead of stock prices.

A company that's able to pay out consistent dividends for long periods of time indicates it is profitable in good and bad times, even during recessions.

Dividends are more predictable

Dividends are much more predictable than stock prices. For example, I have high confidence that shareholders of **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) will receive a quarterly dividend of \$0.52 per share at the end of this month. After all, the pipeline company has paid growing dividends for 14 consecutive years.

However, if you ask me what the price of TransCanada shares will be at the end of the month, I would tell you that I have no idea, as should anyone else. In the short term, stock prices are determined by how much buyers are willing to bid and how much sellers are willing to sell it for.

If I were you, I would focus on the long-term profitability of businesses, buy shares in them when their yields are generally high, and hold on to those quality shares for as long as the business fundamentals remain strong.

Focusing on dividends makes you less emotional

Focusing on tracking dividends also makes you less emotional as an investor. Dividends are usually paid out every three months or every month. For example, most Canadian companies that pay a dividend pay it on a quarterly basis, such as TransCanada.

On the other hand, Canadian real estate investment trusts (REITs) such as **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) generally pay distributions monthly. Getting paycheques periodically helps investors hold onto their shares.

REITs are known for paying higher yields to start with. RioCan pays out a yield of 5.8% based on the \$24.50 unit price. Remember that holding REITs in a TFSA or RRSP allows you to avoid tax hassles when reporting taxes on distributions received.

In conclusion

If you're thinking of trading stocks to earn a quick profit, think again. Many traders lose money because they get emotional when they focus on the roller coaster stock prices.

Focusing on dividends turns the table in your favour as an investor. By receiving income on a set schedule by owning businesses that remain profitable and become more valuable over time, investors

can safely and steadily build their wealth.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:TRP (TC Energy Corporation)

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Date

2025/08/28

Date Created

2015/09/10

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