5 Reasons to Choose Dividend Investing

Description

Dividend investing is a popular way to invest. Anyone can start earning a passive income by investing in a stock that pays out a portion of their earnings as dividends. The retained earnings are used to grow the business, while the dividends make shareholders happy. Dividend investing can easily be a part of your investment strategy.

Simple and easy to understand

Dividend investing is simple and easy to understand. You buy shares in a consistently profitable dividend company that pays dividends. Dividends then appear as income in your account without you having to lift a finger.

Most dividend stocks pay dividends every quarter or every month. Others are known to pay dividends every half a year or once a year. By holding a portfolio of quality dividend stocks, you can expect many paydays in a month.

Generates cash and assets for flexibility

There’s nothing to dislike about dividend investing. It generates cash that can be used to pay the bills, put food on the table, and to reinvest. You can use the cash to do whatever you want. Once your portfolio is big enough, you can even gift some shares to your children, grandchildren, or your favourite charities. That way, they can also start generating passive income.

Easily combines with other strategies

Dividend investing also easily integrated with other investment strategies. Using dividend investing and value investing together, Foolish investors might be interested in **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). It is priced at a discount of about 15% around $58 per share and has been paying a dividend since 1832.

When combining dividend investing and growth investing, Foolish investors might be interested in **Starbucks Corporation** (NASDAQ:SBUX). It has been growing at a double-digit rate while also growing its dividend at a double-digit rate. Its last dividend hike in the fourth quarter of 2014 was 23%.

When combining commodity investing with dividend investing, the safer stock ideas that come to mind include **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). Both pay yields of at least 3.4%, and have been growing their dividends for at least 14 years in a row.

Set up for retirement

Dividend investing sets you up for retirement. Most of us imagine a comfortable retirement with consistent cash flows. Dividend investing give us exactly that. In fact, the dividend stocks I mentioned so far have not only paid consistent dividends, but also have typically increased them every year. So, retirees can get a growing income that beats inflation from their dividend portfolio if they've built it right.

Risk reduction

Foolish investors can view dividends as a way to get your money back. For example, buying a 5% yield stock, and assuming no dividend growth, you will get your investment back in 20 years. Each time you receive a dividend, it's like reducing your risk in an investment.

Closing words

If you consistently buy set amounts of quality dividend stocks over time to build a diversified portfolio, eventually you will be amazed by the dividends you'll receive. It can be hard to stick to dividend investing in the first five years, but it takes time for compounding to work its magic.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:SBUX (Starbucks Corporation)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:SU (Suncor Energy Inc.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:ENB (Enbridge Inc.)
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