



When Should You Buy Your Favourite Dividend Stock?

Description

So, you've identified a quality business that is a dividend payer. It is one of your favourite dividend stocks, but you don't know when to buy it.

By setting buy targets ahead of time, you can make decisions that are based on rational thinking instead of emotion. Here I will use **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) as an example.

A quality business

Toronto-Dominion Bank is financially sound with an S&P credit rating of AA-. It has a strong retail business that contributed 90% of its net income in the third quarter. It has also built a solid presence in the United States. Its U.S. Retail business contributed 23% of net income.

Selecting a yield and price target

In the past five years, Toronto-Dominion Bank's yield typically oscillated between 3.3% and 3.8%. It seldom reached a yield of 4%. That's how I determined my target yield for the bank.

The bank pays a quarterly dividend of 51 cents per share. That's an annual payout of \$2.04 per share. So, my target price for Toronto-Dominion Bank is \$51 (because $\$2.04/0.04 = \51). Anytime it hits \$51 or lower and there's no material change to the business, I'm a buyer.

Seize the buying opportunity

My opportunity came on the day of the flash crash on August 24. On that day, the bank fell to a low of \$47.75, but quickly recovered from there. When I looked at the stock market, the bank's price had already partially recovered. I was left with a choice of whether or not to buy some shares around \$49.

Now, at that point, newer investors might think, "It hit around \$48, so I'll wait until it gets there again." I certainly have done that before and missed out on opportunities to buy great companies.

Well, no more of that. I've already set my buy target ahead of time. I saw that the whole market tanked,

and it affected everything. That means it wasn't business-specific.

Toronto-Dominion Bank hit my target yield of at least 4%, implying a price of, at most, \$51, and I bought the shares around \$49. My yield in that investment was over 4.1%.

But...

Now, you might ask, "What if Toronto-Dominion Bank had fallen lower on the next day?"

It could have, but we don't know that. So far, in two months' time, it hasn't fallen back to the \$48 level.

Part of being a do-it-yourself investor is to seize opportunities when the market gives them to you. They're gifts, but you still need to reach out to grab them.

Besides, you can always grab more shares if it falls lower. Remember that it's impossible to catch the bottom.

In summary

Plan ahead. Make a list of the quality dividend stocks you want to buy. Set yield targets and buy prices. Then, you can quickly seize opportunities when they arise.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/08/27

Date Created

2015/10/31

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