Buy Quality, Not Quantity

Description

If you intend to invest for the long term, which is the proper way of investing, it’s probably best to start with quality instead of quantity. What do I mean by that?

Instead of trying to buy everything and ending up with stocks you might regret buying later, take a step back and identify quality businesses that you’d want to own for a long time.

What makes a quality business?

You shouldn’t buy stocks with the expectation that the stock price will go up. Buy stocks because you expect to receive dividends (eventually). After all, growing dividends eventually lead to a higher stock price. You want to own businesses that can consistently generate cash flows or grow their earnings over the long term.

Since dividends are paid out from earnings, the stability of the earnings is essential. There should also be a general trend of earnings growth.

In short, quality earnings make a quality business.

Which businesses generate quality earnings?

Quality earnings make a quality business that can pay consistent dividends, so let’s identify such businesses.

In Canada, there are utilities, telecoms, grocery stores, and banks. These are quality businesses that have consistently paid out *growing* dividends. Here are the top companies from each industry.

Canadian Utilities Limited (TSX:CU) is a utility with an S&P credit rating of A, and it has paid growing dividends for over four decades! At $34.50 per share, it yields 3.4%.

Telus Corporation (TSX:T)(NYSE:TU) is the fastest-growing telecommunications company in Canada. It has an S&P credit rating of BBB+, and it has paid increasing dividends for over a decade. At $41.50 per share, it yields 4.2%.

Metro, Inc. (TSX:MRU) is in the defensive industry of grocery stores. It has an S&P credit rating of BBB, and it has paid growing dividends for two decades! Although it only yields 1.2%, it has grown dividends at a high rate of at least 14% a year on average in the past decade.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has sizeable exposure in the United States, so if a housing bubble bursts in Canada, its business performance will be the least affected compared with the other Canadian banks. Toronto-Dominion Bank has an S&P credit rating of AA-, and it yields 3.7% at $54.50 per share.

In conclusion

No matter what kind of investor you are, if you’re looking for solid businesses to be a part owner of for a long time, you should consider the above industries and examples. They’re likely to continue paying out dividends and might increase them, too!

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TU (TELUS)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:MRU (Metro Inc.)
5. TSX:T (TELUS)
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