



## Think Long Term? Think Dividends

### Description

Businesses show earnings strength and profitability when they consistently pay out dividends. This is especially true if businesses pay out growing dividends. So, dividend-paying track records are an indicator of excellent businesses that are more than sustainable. The longer a business has paid dividends, the stronger it is.

### Falling prices may be a good thing

Whether stock prices go up or down, you can count on quality businesses such as **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to continue paying dividends. Stock prices can go down for a year or two, but if you've bought quality dividend stocks, you should not worry about losing their dividends. So, dividend investing helps investors think long term.

If you're in the accumulation phase, you should hope for lower prices (in the short term), so you can buy more shares in quality dividend stocks at lower prices for higher yields. I don't mean that we should hope for market crashes because that could be devastating for a lot of people, but occasional market pullbacks aren't necessarily a bad thing.

Think about it. A year ago, Bank of Nova Scotia cost about \$67 and yielded almost 4.1%. Today, after its share price pulled back and it hiked its dividend, the bank costs \$54 and yields 5.2%.

### Investing opportunities arise from dynamic environments

Investors need to realize that the economy, the market, and the businesses are dynamic. Although Bank of Nova Scotia's stock price has fallen, there's no argument that it remains a quality business and is very profitable.

In the fiscal year 2015 Bank of Nova Scotia achieved more than \$24 billion of revenue and \$7.2 billion of net income. For the year the bank's annual dividend payout was \$2.72 per share, but that was still less than 48% of its earnings. So, the bank was able to retain 52% of its earnings to grow the business.

## Why I love dividends

Quality dividends increase my overall returns in good times and bad. For example, Bank of Nova has hiked its dividend 48 out of the last 50 years, and it only froze it during the financial crisis.

No matter what happens tomorrow, in five years, or in 10 years, if I buy Bank of Nova Scotia shares today, I can count on it to continue paying the 5.2% yield. In fact, it has increased its dividend 7.5% on average from 2005 to 2015, and I expect its dividend to grow 5-7% every year in the near future.

## In conclusion

Dividends of 4-5% might seem small when the market is rising. However, these yields can help any investor to cope with their emotions when stock prices fall. No matter if stock prices are going up or down, investors can expect to continue receiving dividends from quality businesses.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

## Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

## Date

2025/08/25

## Date Created

2016/02/16

## Author

kayng

default watermark