



Why Kevin O'Leary Loves Dividend Stocks

Description

Kevin O'Leary believes there's no point in owning a stock if it doesn't pay a dividend. In essence, the point of building a dividend portfolio is to get a consistent income.

If you're a long-term investor and you buy a high-growth stock today, you won't expect a dividend this year or next, but you probably expect the stock to pay one in the future at some point.

Dividends add to returns

In a Forbes video, Kevin O'Leary stated, "Over the last 40 years, 71% of the stock market's return came from dividends, not capital appreciation."

In fact, healthy dividends are paid out of company earnings or cash flows. So, a company that doesn't pay a dividend would be using all of its earnings or cash flows to run and grow the business. In the same type of business, a company that pays a dividend will likely lead to higher long-term returns for shareholders.

The rationale is that a company that pays a dividend will have less remaining capital to work with. So, it should use it more carefully as well as look for ways to more efficiently run the business.

Moreover, I'd like to add that dividends can be much more consistent than capital appreciation, especially when you stick with large-cap dividend payers, such as **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), which operate in perceived stable industries.

Lower volatility

O'Leary doesn't like volatility. He prefers to stick with less-volatile large caps and dividend payers. Indeed, dividend payers typically have lower volatility.

Telus has a beta of about 0.5, which indicates it's about half as volatile as the market. For a 1% decline in the market, Telus is expected to decline 0.5%.

One factor of lower volatility is that Telus pays a consistent dividend, which attracts long-term investors. These investors don't trade in and out of Telus and happily collect their dividend paycheques every three months.

It gets better with growing dividends

Going one step further, investors would love dividend stocks even more if those stocks grow their dividends year after year.

Telus has increased its dividend for 12 consecutive years. In fact, it aims to grow it by at least 7% a year in the near term.

Conclusion

If you're a conservative investor looking to invest for the long term, large-cap, dividend-growth stocks are likely suitable for you. And Telus is a good stock to have on your radar.

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