



## Make a New Year's Resolution for Your Stock Portfolio

### Description

We're just entering 2017. It's a great time for investors to make a New Year's resolution for their stock portfolios.

#### Set SMART goals

Setting goals is a great first step. SMART goals are specific, measurable, attainable, realistic, and time-oriented.

It doesn't cut it to simply say you want to make money from your stock portfolio. For example, you might make a SMART goal to earn a 10% annualized return on your portfolio.

A 10% return is not farfetched because historically, average market returns have been 10%. However, because the market is relatively high, you've got to be more selective in your new stock purchases.

The next step is to think about how you plan to achieve that 10%. Will the 10% come from capital gains or dividends? Chances are that it'll be a mix of the two.

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#### An example

If you're a conservative investor, you might choose **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) as one of your stock picks, as it is a regulated utility with predictable returns.

At \$41.50 per share, it trades at a price to earnings ratio (P/E) of 19. In the last six years, it has traded at a normal P/E of 19.4, so the stock is within fair valuation.

Moreover, for the next five years, management foresees raising its dividend by 6% per year. Since it currently yields almost 3.9%, accounting for the dividend growth, an investment in it can deliver annualized returns of almost 10%.

If investors want to be more certain of that 10% target, they should wait for a pullback in the stock that

will lead to a yield of at least 4% before buying.

### How much will you save?

Setting investment goals and buying the right stocks at the right valuations is just a part of it. Another important element to building your portfolio is how much you save and how consistently you save.

Some intelligent people automatically transfer 10% of their paycheques into their investment accounts. This way, they're consistently saving and investing.

Remember that it's time in the market that will help your portfolio grow via compounding. This especially works well for dividend-growth stocks such as Fortis because, over time, they will pay you a higher dividend that you can put back into your portfolio.

### Last but not least

Remember to track your progress. Check back at least every year to see if your investments are meeting your goals. If not, see what you can do better to achieve your goals.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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kayng

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