



## 6 Top Reasons to Buy Dividend Stocks

### Description

Dividend investing is popular for many reasons. Here are six.

### Outperformance

Studies have shown that dividend stocks have tended to outperform non-dividend payers. Dividend stocks that grow their dividends have performed even better.

One reason may be that dividend companies have less capital to work with after paying out some of their earnings as dividends. So, these companies have been more careful with where they invest their remaining capital.

### Sizable yields provide support and reduce the volatility of shares

Companies with sizable dividend yields and that tend to grow their dividends at a healthy clip every year have better share price support because a meaningful percentage of their shareholders is long-term income investors.

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) is a good example. The telecom has increased its dividend for 13 consecutive years. In the last five, it has increased its dividend by 10.8% on average per year.

At about \$42.70 per share, Telus is good for a 4.5% yield which is sustained by a payout ratio of about 71%. Its quarterly dividend is 9% higher than it was a year ago.

There has been strong support for Telus's shares. Since 2012, its shares have only traded near a fair price-to-earnings multiple of 15 twice, whereas its normal multiple for the last five years has been 17.

Canadian Cash, money 16-9

### Get your investment back over time

If you hold dividend companies long enough, you'll eventually get your investment back in dividends.

If you'd invested \$10,000 in Telus at the start of 2010, you would have gotten 59% of your investment back from growing dividends already!

### **Don't have to worry about the market**

If you generate enough income from a quality, diversified dividend portfolio, you won't need to worry about what the market is going to do. You simply don't need to care about where stock prices will go because you won't need to sell shares for income.

### **Let the yield tell you when to buy**

Broadly speaking, investors are not good at buying and selling at the right times. They tend to buy when the market is high and sell when the market is low.

Income investors can let the dividend yield act as an indicator to tell them when to buy. In the case of Telus, a 4.5% yield is at the high end of its five-year dividend yield range. So, interested investors may consider buying some shares at current levels.

### **Psychological benefit**

Owning dividend stocks with a focus on safe, growing dividends can help investors to hold on to their investments in an uncertain market.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

### **PARTNER-FEEDS**

1. Msn
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