



New Investors: 3 Reasons Why You Should Start With Dividend Investing

Description

There are big headlines every day about the market making new highs, companies missing or beating earnings or revenues estimates, commodity prices going up and down, or the prices of specific stocks going up and down, etc.

Noise is everywhere.

Where should new investors begin? Don't fret. Start with dividend investing.

Here are three reasons why you should invest in dividend stocks.

Dividend investing is easy to understand

Simply buy and hold the shares of a company that pays out a portion of its earnings or cash flows in the form of a dividend. As long as the company continues to at least maintain its profitability, it can continue to pay or, better yet, increase its dividend.

Canadian Utilities Limited ([TSX:CU](#)) and **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) are the top two dividend-growth companies on the Toronto Stock Exchange. They have increased their dividends for more than 40 years! It's no coincidence that they are utilities, which are stable businesses that offer essential services to the economy.

Canadian Utilities and Fortis maintain sustainable dividends with estimated payout ratios of less than 65% for this year. They offer decent yields of about 3.7% and 3.6%, respectively. With the expectation of posting higher earnings this year, shareholders can anticipate their dividend-growth streaks to continue.

money, cash, dividends 16-9

Dividend stocks are easier to hold on to

Stock prices go up and down. If you invest in stocks that don't pay dividends, you'll probably be more

tempted to book profits when their share prices rise or take losses when their share prices fall.

If you invest in dividend stocks and periodically get dividend paycheques from them, you won't be as easily swayed by market gyrations.

That said, even for stable businesses such as utilities, there is still volatility in their stock prices, and they can experience falling share prices like other stocks.

In the last recession, the shares of Canadian Utilities and Fortis fell about 30% and 24%, respectively, from peak to trough. Comparatively, irregular dividend payers can do worse. For comparison, **Barrick Gold** fell about 46%.

Generally speaking, the dividends of mining stocks should not be trusted. Mining stocks' profits can decline very quickly (or it can even swing to a loss) if the prices of the underlying commodities head lower.

The type of dividend stocks I have in mind are stable businesses that tend to increase their profitability over time.

Dividend stocks tend to outperform

Studies have shown that in the long run, dividend stocks tend to outperform non-dividend payers, and dividend-growth stocks tend to outperform dividend payers.

Even though it may not be your goal to outperform, it'd certainly be nice to hold stocks that outperform the market, don't you think?

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date

2025/08/13

Date Created

2017/03/29

Author

kayng

default watermark

default watermark