New Investors: 2 Simple Strategies to Start You Off

Description

It can be overwhelming to make your first investment. Here are two simple strategies to get you started.

Both are passive ways of investing with a long-term mindset. As such, they require less time to monitor than if you were an active trader.

Index funds

The simplest way to invest in index funds is to pick one that has broad market exposure, such as **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY).

It has exposure to all 11 sectors. Currently, it has the largest exposures in information technology (22.5% of the fund), financials (14.1%), health care (14%), and consumer discretionary (12.5%).

The fund’s top holdings consist of well-known brands, such as **Microsoft**, **Facebook**, **Johnson & Johnson**, **AT&T**, etc.

Alternatively, you can identify niches you want to gain exposure in.

You may consider the **iShares S&P/TSX Capped Utilities Index Fund** (TSX:XUT) to gain exposure to utilities for stability and dividends.

You may also consider **iShares MSCI Emerging Markets Indx** (NYSEARCA:EEM) or **iShares NASDAQ Biotechnology Index** (NASDAQ:IBB) for above-average growth potential.

You can opt to average in to your chosen index funds over time by buying specific dollar amounts every month, quarter, or year.

Stable dividend stocks

The underlying business of the stock in question must be stable, and the dividend must be stable.

Believe me; there are dividend stocks that have neither stable fundamentals supporting their businesses, nor do they offer sustainable dividends.

It’s a bit more work to invest in stable dividend stocks than index funds. However, it can be more rewarding too.

To start off, it’ll be helpful to identify a list of companies that offer stable dividends. The goal is to build a diversified portfolio of such companies.

From my experience, stable and juicy dividends can be found in utilities, real estate, energy infrastructure, and banks. You can’t go wrong by choosing the leaders in each space.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is a regulated utility that generates stable returns. Without any interruptions, it has paid a growing dividend for more than 40 years! At about $44.30 per share, it offers a 3.6% yield.

Fortis’s payout ratio is estimated to be 65% this year. As well, it’s expected to grow its earnings per share by about 6% per year for the next few years. So, it can grow its dividend per share by 6% per year, as management said it would.

By buying shares in Fortis and other stable dividend stocks over time, you can generate a growing income stream to give you more capital to invest.

Investor takeaway

New investors can start investing by buying shares in index funds or stable dividend stocks over time. Depending on your comfort level, you can start in a virtual account to paper trade or in a non-registered account, so you can save the tax-advantaged room in your TFSA and RRSP for when you’re more knowledgeable and experienced.

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