



New to Investing? What Should You Invest in 1st?

Description

In the long run, stocks have historically outperformed other asset classes, including bonds and real estate. So, if you want to build wealth, investing in stocks over time is your best bet. At the same time, you'll have to accept that the share prices of stocks will be more volatile than the prices of bonds and real estate.

Small-cap or mid-cap ETFs

As a group, small caps tend to outperform large caps because it's easier for a company with \$20 million of sales to double to \$40 million than it is for a company with \$20 billion of sales to double to \$40 billion. However, it's risky to invest in individual small caps unless you know the company inside out.

Instead, investors can gain exposure by investing in exchange-traded funds (ETFs). You can also consider investing in mid caps, which are lower risk than small caps but have higher growth than large caps.

SPDR S&P MidCap 400 ETF (NYSEARCA:MDY) consists of 400 mid-cap stocks which cover more than 7% of the U.S. equities market and span across sectors such as financials, industrials, information technology, consumer discretionary, and healthcare.

Small-cap and mid-cap ETFs are great for dollar-cost averaging in over time for above-average growth.



Value stocks that pay growing dividends

There are many ways to invest, and that can overwhelm new investors. That said, value and dividend investing are some of the easiest strategies to understand.

In value investing, you aim to buy a stock when it's cheap. In dividend investing, you look for stocks that pay decent, sustainable yields. It'd be even better if they pay growing dividends, so your yield on cost can grow over time.

Altagas Ltd. ([TSX:ALA](#)) is a dividend-growth stock that is trading at a discounted price, partly due to the big acquisition it is working on. The shares probably won't go anywhere until mid-2018. In the meantime, investors today can get a big yield of 7% for the wait.

According to Altagas's normal multiple, it should be trading at higher levels. In fact, the consensus at **Thomson Reuters** is a mean one-year target of \$35.30 on the stock, which implies a nearly 15% discount.

Altagas is a relatively new dividend aristocrat in Canada, which means it has increased its dividend for five consecutive years. Specifically, over that period, Altagas has hiked its dividend at a compound annual growth rate of 8.8%.

Investor takeaway

Investing in small-cap or mid-cap ETFs over time can boost the growth of your long-term portfolio. The simplest strategy is to dollar-cost average into them over time.

If there's one dividend-growth stock that investors should consider today, it'd be Altagas. Its share price likely won't go anywhere in the next year, but you are compensated with a big dividend that should continue to grow.

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