New Investors: What Should You Invest in?

Description

There are many investing strategies out there. New investors often become overwhelmed and end up not knowing what to invest in.

If you've done some investigation on the topic of investing, you'll know that in the long run, investing in the stock market gives you better returns than investing in the bonds market.

What are stocks and bonds?

When you invest in a stock, you're buying a piece of a business and becoming a part-owner. If the business does well, its share price will appreciate over time. You may also receive dividends, which is when the business pays out a part of its profit as cash.

Bonds can be issued by companies or governments. When you buy bonds, you're essentially lending your money and getting interest in return. At maturity, you get your money back at the face value.

In between the issuance of a bond and its maturity, its price can go up or down according to the change in interest rates. If interest rates rise, its price will go down, and vice versa.

What should new investors invest in?

If you're investing for the long term, it makes sense to buy great companies and benefit from their growth over time. You can diversify your investments by buying a portfolio of such companies.

New investors should start with stable businesses that pay out safe dividends. Not only are these stocks less volatile and easier to hold on to, but you can also receive steady income while you own the businesses.

After identifying great businesses, you should aim to not overpay for the shares. If the shares are too expensive when you buy them, it could take some time before the share price will catch up.

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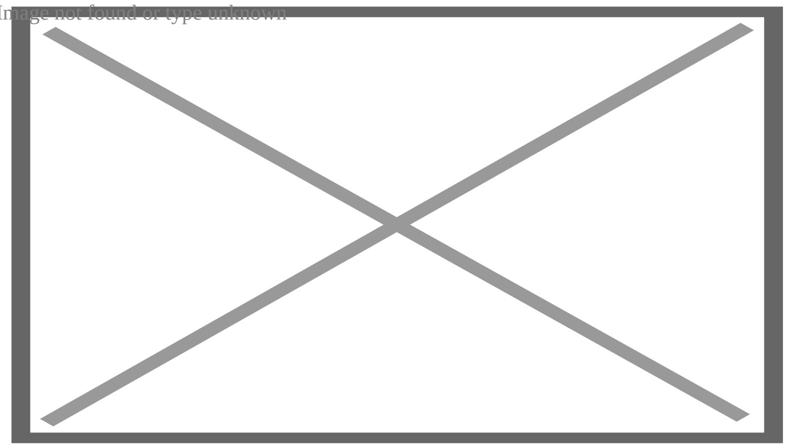

Here's a reasonably valued, low-volatility dividend stock you can consider: **Emera Inc.** (TSX:EMA) trades at a multiple of ~17.2, and analysts think it will grow its earnings per share by 6.5-8.2% per year for the next three to five years.

From recent trading, Emera has a low beta of 0.05 compared to the market beta of one. This means that typically, when the market falls 1%, Emera stock will fall 0.05%, and vice versa.

Emera is an energy and services company, which invests in electricity generation, transmission and distribution, gas transmission and distribution, and utility energy services with a focus on transforming from high-carbon to low-carbon energy sources.

Emera's operations are found throughout North America and four Caribbean countries and are diversified geographically and by regulatory jurisdiction. The company aims to generate 75-85% of its adjusted earnings from rate-regulated businesses, which improves its earnings stability and dividend safety.

Emera has increased its dividend for a decade, and it targets dividend growth of 8% per year on average through 2020. At the recent share price of ~$46.40 per share, investors can start with a yield of 4.5%.

Investor takeaway

If you're new to stock investing, start with low-risk, stable, and reasonably priced businesses that pay out growing dividends to get a feel of the market before branching out into other types of strategies.

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