# New Investors: How to Build a Dividend Portfolio

## Description

It may be difficult for new stock investors to hold on to the volatile beasts. New investors may feel like they'll lose money if the share prices of their holdings fall.



Here's what you can do to make yourself more comfortable with your portfolio of dividend stocks.

**Start with brands you know and trust**

Think about the products and services you use all the time. You may store your money or invest through one of the Big Five banks, such as **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

You may have a cell phone, the internet, and a TV plan through **Telus Corporation** (TSX:T)(NYSE:TU). You may get your electricity and natural gas from **Fortis Inc.** (TSX:FTS)(NYSE:FTS).

These companies are cash cows and tend to grow their dividends over time, which in the long run, will cause their share prices to trend upward. However, the stocks may not be good buys right now.

**Are they worth your buck for the value they offer?**

Stock prices go up and down. There are lots of contributors to the bobbing share prices, including investor emotions, company news, and whether the shares are richly valued or not. Over the long term, share prices should follow the fundamentals.

At the recent quotation of ~$93.50 per share, Royal Bank trades at a multiple of ~12.7, which is considered within fair valuation compared to its long-term normal multiple of ~12.5.

At ~$45.40 per share, Telus trades at a multiple of 16.9, which, again, makes the stock reasonably valued today.

At ~$46 per share, Fortis trades at a multiple of ~18.9, which also makes the stock fairly valued.

When I say fairly valued, it means the stocks aren't priced at a bargain, nor are they excessively expensive.



The bigger margin of safety, the safer the investment will be. Depending on how much of a margin of safety you want, you may start to consider their shares on pullbacks. Some investors wait for pullbacks of 5-50% on their favourite companies.

**Growing dividends**

Growing dividends help investors to focus on the long-term investment prospects. Royal Bank, Telus, and Fortis offer yields of 3.4 to 4.4% today. So, an investment of $1,000 only gets you $34-44 a year. However, in subsequent years, the income you'd get from them will most likely be higher.

Thanks to the dividend growth of the businesses over time, shareholders from five years ago now receive 45% more income from Royal Bank, 61% more income from Telus, and 33% more income from Fortis.

Based on the analyst consensus estimates, Royal Bank is estimated to grow its earnings per share (EPS) by 6.2-7% per year in the long term. Telus is estimated to have 6.9-7.9% per year for EPS growth. As for Fortis, analysts expect the regulated utility to grow its EPS by 4.9-5.2% for the next three to five years.

If you're indifferent about which business to buy right now, you should consider Royal Bank first because it trades at the cheapest multiple and has reasonable growth.

That said, this is not an apple-to-apple comparison, because the companies are from totally different sectors. Serious investors should also compare companies in the same industry to determine which is the best to buy.

**Investor takeaway**

Start your research with brands you know and trust that pay nice dividends. If you decide to invest in them and be a part-owner, you'll have an easier time holding on to their shares due to the periodic income.

By building a diversified portfolio of quality dividend-growth stocks, you can be sure you will generate growing income over time, no matter what the market does.

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

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1. Editor's Choice

**TICKERS GLOBAL**

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TU (TELUS)
4. TSX:FTS (Fortis Inc.)
5. TSX:RY (Royal Bank of Canada)
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