Is it Difficult for You to Choose Between Income and Growth?

Description

We all want to make money when investing. However, in this low interest rate environment, you can't get good returns without taking on some risk. This has forced many investors out of savings accounts, GICs, and even bonds and into preferred stocks and common stocks.

Although the Bank of Canada will probably continue to increase interest rates over time, it most likely won't make any big moves in a short time.

So, now is a good time to consider investing in stocks for long-term growth. You should be careful about which companies you invest in because by buying stocks, you're buying a piece of a business and becoming a part-owner.

Some investors go with growth investing, while others go with income investing. But no one will stop you from going with a mix of both.

You can invest in stocks that have income and growth traits, or you can invest in pure growth stocks that are complemented by income-oriented stocks in a diversified portfolio.

The right way to invest in stocks is to invest in businesses you're comfortable with holding, despite the volatility of share prices, while meeting or, better yet, exceeding your long-term financial goals.

Pure growth example

A great pure-growth stock is **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP). In the past three years, its revenue has increased by 678%. The company primarily helps small- to medium-sized businesses sell their products by providing a simple, unified, multi-channel commerce platform.

Shopify enables these businesses to manage products and inventory, process orders and payments, ship orders, build customer relationships, and leverage analytics and reporting, reducing the workload of the merchants, despite the many channels to sell, such as via an online store, physical stores, marketplaces, social media, mobile apps, and other sales channels.

Although Shopify hasn't turned a profit yet, it shows great potential, and that's why the stock has doubled its share price year to date!

Income and growth example

You can get both income and growth with **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN). Algonquin is a fast-growing utility that offers a decent dividend yield. At ~$13.50 per share, it offers a yield of ~4.3% and aims to grow its dividend per share by 10% per year through 2021.

Notably, Algonquin offers a U.S. dollar-denominated dividend. So, the effective yield will drop if the U.S. dollar weakens against the Canadian dollar.

Algonquin generates about three-quarters of its earnings from regulated utilities and a quarter from renewable power assets. It distributes electric, gas, or water to ~757,000 customers in the United States.

Algonquin's renewable portfolio is focused on wind generation, and most of the new renewable projects come with long-term power-purchase agreements of 10-25 years.

Altogether, this utility generates a large portion of stable earnings and cash flow and is able to grow faster than its peers with internal projects and accretive acquisitions.

Investor takeaway

In a rising interest rate environment, you can’t go wrong by buying companies that are growing at an above-average pace. Shopify and Algonquin surely have that growth trait. Moreover, Shopify essentially has no debt, and Algonquin’s debt levels align with those of its peers.

Between the two, Algonquin is better suited for new investors because of its stable nature and its secure dividend, which should continue growing for the next few years.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Tags

1. Editor's Choice

Date
2025/08/10
Date Created
2017/08/22
Author
kayng