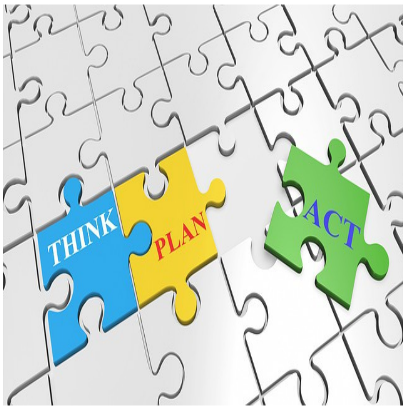

Is Buying the Best Dividend Stocks a Good Investing Strategy for 2018?

Description

As we enter 2018, the biggest questions in investors' minds are these: which sector is going to outperform, and which stocks are going to deliver market-beating returns?

The answer to these questions largely depends on your investment goals and your time horizon. If you're looking to make a quick buck, then probably you would be better off by investing in technology and marijuana companies, which have produced high-octane returns in 2017, and haven't yet lost their momentum.

But if you're investing to build your nest egg or a low-risk, income-generating portfolio, then investing in dividend stocks is the best strategy. Here are my top three reasons that will make it easier for you to understand why dividend investing is the best strategy of all time.

Dividend stocks perform better

Dividend-paying companies are usually not the ones that make headlines. But away from the glamour and market noise, these companies continue rewarding their investors by paying consistent and growing dividends.

Many studies have shown that dividend stocks have outperformed the broader market consistently. According to one such study by **Goldman Sachs's** wealth management division, dividend-paying stocks produced ~15-fold better returns than non-dividend-paying companies between 1972 and 2014.

As a long-term income investor, you should own companies that not only pay dividends, but that also consistently raise them. This combination is a great recipe for an investment portfolio, which will perform much better during different market cycles.

Dividends make managers accountable

Rewarding investors quarter after quarter isn’t an easy thing. Companies that take this route answer to their shareholders who rely on them for their financial needs. Their investors mainly include retirees, savers, and fund managers who are responsible for managing their clients’ money.

This pressure keeps company executives on their toes to perform better and stop them from taking unnecessary risks.

In Canada, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **BCE Inc** (TSX:BCE)(NYSE:BCE) are some of the examples of best dividend stocks that have solid histories of rewarding their investors.

Dividend stocks provide a hedge against inflation

Investing in companies that consistently grow their dividends protects your portfolio from the impact of inflation. There are a plenty of options in today’s market that provide a double-digit growth in dividends each year.

In an environment when return on GICs and saving accounts is in the low single digits, earning 10% or 12% dividend growth is a great inflation-beating strategy.

Enbridge Inc. (TSX:ENB)(NYSE:ENB), one of the top energy infrastructure companies in North America, has recently announced its plans to grow its dividend 10% each year through 2020. This certainty works in the favour of investors who can better plan their spending in their golden years.

The bottom line

Pick some solid dividend-paying companies. If you have a long-term investing plan, dividend stocks are your best friends in 2018. They will beat the market over the long run.

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