



Having Trouble Choosing a Stock? 3 Quick Questions to Ask

Description

There are thousands of stocks to choose from in many industries across 11 sectors. To filter the list and identify [potentially great long-term investments](#), you can ask yourself these simple questions.

Has the company been profitable for the last 10 years?

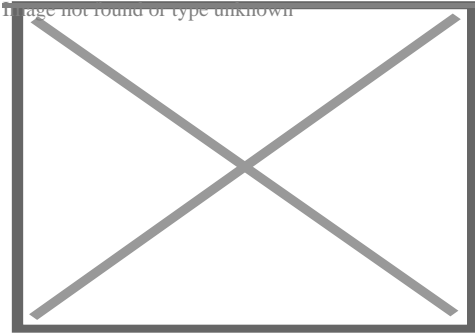
You're buying a piece of a company when you buy shares of a stock. What business owner doesn't want their business to be profitable? Being a passive business owner shouldn't be any different.

A company that has been profitable in the last 10 years, which includes the period of the last recession, shows that it has staying power. It'll be even better if the business has been growing its profitability in the long run.

Does the company offer needed products and services?

It's common to find companies that increase their profitability in the long run to be businesses that offer needed products and services, including banks, utilities, and telecoms.

Since banking services, utility services, and cell phones and internet are needed if the economy is doing well or badly, leaders in their respective industries, including **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) make money in good times and bad. So, they make excellent long-term investments.



Does the business offer growing dividends?

Dividends you receive add to your returns. Safe dividends are covered by the company's earnings, while the company has enough retained earnings to reinvest in and grow the business.

So, it follows that if your holdings grow their dividends over time via growing earnings, then you'll get higher returns from this stable component of the returns equation, which can consist of dividends and price appreciation. Royal Bank, Fortis, and BCE have grown their dividends for a number of years.

Which is the best value today?

None of the three companies are particularly overvalued. However, Fortis is [the best value](#) compared to its historical valuation range. At under \$44 per share, Fortis trades at a price-to-earnings multiple of about 17.4.

The leading North American utility also offers a competitive yield of nearly 3.9%. For the next few years, it aims to grow its dividend by 6% per year. So, it's possible to get total returns of roughly 10% from a purchase in Fortis today.

Investor takeaway

Some young investors don't invest in Royal Bank, Fortis, or BCE because they'd rather invest in high-growth (and potentially riskier) stocks. However, Royal Bank, Fortis, and BCE are great stocks for adding stability to any diversified stock portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

6. TSX:RY (Royal Bank of Canada)

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