2 Top Dividend Stocks to Buy if You Want to Play Safe

Description

In the business of investing, you can't avoid risk completely. But you can minimize your risk by picking your investments with a proper due diligence. If your investing aim is to protect the value of your investment while earning decent returns, then buying some top-quality dividend stocks isn't a bad idea.

In Canada, top financial stocks and telecom utilities certainly fit in this conservative investing style. Let's take a closer look at **Royal Bank** (TSX:RY)(NYSE:RY) and **BCE** (TSX:BCE)(NYSE:BCE) — two market leaders in their respective areas — to see if they are the right picks for conservative investors.

RBC

RBC is Canada's largest lender with more than $1.2 trillion in total assets. This stock has all the ingredients to make it a good investment for investors with a low-risk appetite. RBC has a dominant market position in Canada, where it's a household name.

The lender also maintains a strong presence in the U.S., the world's largest economy. In any low-risk investment strategy, it's unlikely that you're going to get a big boost through capital gains. In order to keep your investment growing, you need to invest in stocks that pay growing dividends.

RBC has boosted its payout every year since 1870. And there is nothing that suggests that RBC won't be able to keep its foot on the dividend pedal. In the third-quarter earnings report released this week, RBC raised its quarterly dividend by 4% to $0.98 a share, as it reported a record $3.1 billion in net income.

The bank's results, which beat analyst expectations, were driven by earnings growth in its wealth management, capital markets, and personal and commercial banking divisions.

"We maintained our focus on risk management and expense control; at the same time, we continue to invest in long-term sustainable growth, including in the United States," RBC chief executive Dave McKay said in a statement.

Trading at $103.74 and with an annual dividend yield of 3.62%, RBC is a low-risk stock you could consider adding in your portfolio to hold on for the long term.

BCE

Canada's largest telecom operator, BCE, has a similar appeal for long-term investors who want to play it safe. During the past 10 years, BCE's payout has more than doubled. Following a 5.2% hike announced earlier this year, BCE's annual dividend rose $3.02 a share this year, representing a 107% jump since 2008.

Since the start of 2018, BCE stock is under pressure, as it faces rising interest rates that reduce the appeal of utility stocks, as investors shift their investments to alternative fixed-income assets.

But this pullback has made BCE's dividend yield highly attractive. Trading at $53.80, BCE stock now yields 5.61%, much higher than its five-year average of 4.77%.

The company has invested tens of billions of dollars in everything from wireless to data lines to media assets. BCE is rapidly expanding Canada's broadband fibre and wireless network infrastructure, with annual capital investments surpassing $4 billion.

Bottom line

With their stable businesses, strong balance sheets and growing payouts, RBC and BCE are low-risk but low-reward stocks for conservative investors. If I have to pick between the two, I will go for BCE, given its attractive yield at the moment.

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Date
2025/09/11
Date Created
2018/08/23
Author
hanwar