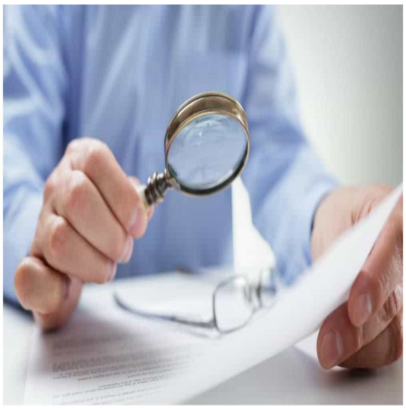

Stocks for Beginners: 3 Qualities You Should Look for in Every Investment

Description

Now that the markets have been trending upwards for close to a decade now, people are becoming interested in investing again.

After all, the TSX index is up more than 60% from its March 2009 lows.

However, it's has also fallen more than 8% in October, and so any "newbies" should remember that all cycles eventually end, and "what goes up must come down."

While that doesn't mean that now isn't the time to be getting into the market – far from it, actually – timing the market is a nearly impossible task even for the most seasoned of veterans.

For this reason, new investors may want to become familiar with the benefits of a dollar cost averaging strategy and how it works to reduce the risks associated with "buying at the tops."

But regardless of when you're buying – at the top, bottom or middle of a cycle – you'll want to be on the lookout for these three qualities in your investments – the 3D's if you will.

Dividends, diversification and defensiveness.

Two companies that fit these criteria perfectly right now are **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

Let's take a closer look at how the three criteria apply to two of Canada's leading financial institutions.

Dividend stocks

Many investors, including Warren Buffett himself, have drawn the analogy of buying stock in companies that don't pay shareholders a dividend to "playing a game of musical chairs."

The idea being that if you aren't investing in the value of a company's expected dividend payment, the only hope you have is selling your investment to another investor who values it more than you do.

The analogy being is that if you can't find anyone to buy your shares when the music stops, you're simply out of luck.

Fortunately, both Royal Bank and TD have great dividends.

Royal Bank stock is currently yielding investors a 3.98% payout, while TD stock is yielding its shareholders 3.64%.

While those yields aren't quite as high as some other high yield dividend stocks, they are very safe dividends in that the payout ratio – which measures the percentage of a firm's earnings paid out to shareholders – of both companies is below 50%, a very conservative ratio for any company.

Diversified operations

The last thing you want to do when you're first starting out as an investor is take any big losses, as your account will likely still be pretty small.

Smaller companies in general tend to be riskier and more narrowly focused than large-cap companies like Royal Bank and TD.

Not only do both banks hold significant leadership positions within the Canadian market, but both also have sizeable interests in the U.S. and several international markets as well.

The nature of these firms diversified geographic exposures will help you weather any volatility that is more focused on the Canadian side of things.

Defensive business

Sometimes "defensive" businesses can sound well, kind of boring.

But truth be told, it is these types of businesses that tend to hold up the best when the market isn't doing so well, and you'll appreciate that at the time, believe me.

Don't think of a defensive business so much as "not having an offensive game," but rather as a business that holds a central role in the economy.

As they say in the sporting world, "defense wins championships."

Fool on.

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