Stop! Are You Buying Your Best Stock Ideas?

Description

Investors are bombarded with so much news about the market and stocks in real time. It's information overload! How much of that information is useful?

One of the most popular types of articles contains "top stocks" or "best stocks" in the title.

When investors read these articles, they're looking for outperformers, winners, or big income generators. However, there are only so many best ideas at a given time; the rest is simply not as good.

Moreover, another investor's best idea may not be your best, because each investor has different financial goals, risk tolerance, experience, investment horizon, etc.

So, before you begin searching for the next top stock to buy, stop! Consider if it's really *your* best stock idea. Here are some tips to help you with the process.

Check the stocks that you already own

Obviously, you must own the stocks that you have because you thought they were your best stock ideas at the time. Before buying a new stock, review your stock holdings to see if one or some may be more attractive.

What are your priorities?

You may choose stocks for your diversified portfolio for different reasons. For each stock, or the portfolio as a whole, you might prioritize on the quality of the business, safety of the dividend, dividend-growth rate, or total returns.

Other considerations are that even when you know you want more of a business, you may not be able to buy it currently, because the stock is too expensive for new capital.

My top stock for income and total returns

One of my top stock ideas for this month is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). I made it officially so when I wrote about it in the top stocks for November article. I believe this stock offers both juicy current income and excellent price appreciation potential.

However, there wasn't enough room in that article for me to state the risks of investing in it. Yes, even the best stocks come with risks. One of the biggest risks in Pembina is its acquisition of **Kinder Morgan** assets, which includes **Kinder Morgan Canada** and the U.S. portion of the Cochin Pipeline for a total of about $4.35 billion.

From an acquisition perspective, Pembina is not overdoing it given that its enterprise value is about $34.6 billion, nearly eight times that of the acquisition price.

The potential uncertainties in the acquisition are why the stock may be sort of weak lately. However, simultaneously, Kinder is also an opportunity.

Pembina has had previous success in acquiring Veresen in 2017 and integrating well with it. Pembina expects to close the Kinder acquisition in the first quarter of 2020, upon which it will increase the dividend by 5%. After that, it's all about how well Pembina can execute the integration of the new assets and hoping that the company did not overpay for the assets.

Currently, at about $47 per share at writing, Pembina offers a yield of 5.1% (or a forward yield of 5.36% on the 5% dividend hike) and 12-month upside potential of almost 20% according to the analyst consensus. All this means is that Pembina pays a nice monthly dividend and has attractive total returns prospects!

Investor takeaway

Before jumping on the next top stock ideas that you see, do your due diligence to determine if they're *really* the best stocks for *you* to buy. Maybe you'll find that the businesses you already own are already the best for your goals.

Stay hungry. Stay Foolish.

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TICKERS GLOBAL

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