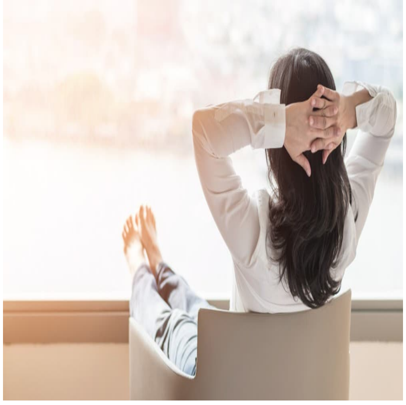

3 Stocks Dividend Investors Have to Own in 2020

Description

Finally, after a year and a half of sitting around with only oil stocks to look at, the market is falling off a cliff. While this seems to come as a surprise to some, the fact is that this market has been overvalued for some time and it was quite likely that there would be some sort of a downturn at some point. Contrary to the views expressed in the general media, though, things are still quite high in terms of valuations for many stocks.

Things are getting cheaper, though, and the vigilant investor should begin to take a look at entry points for stocks that they wish to purchase. This may be one of the best times there has been to add to your core positions in stable stocks that have been bid up for over a year.

Stable stocks

Three stocks that fit the bill as stable investments to consider adding are **BCE Inc.** (TSX:BCE)(NYSE:BCE), **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), and **Magna International Inc.** (TSX:MG)(NYSE:MGA). All three of these stocks have been pulling back recently, so it is time to wait for an entry point.

The first two stocks on the list, Bank of Nova Scotia and BCE are pretty much ready to enter today. At anywhere over a 5% yield, you can consider adding these stocks to your portfolio although I prefer to buy BCE when the yield exceeds 6%. Bank of Nova Scotia is practically on the threshold with its yield at 4.97%. A slight downward move in the market will bring that yield over 5% in a heartbeat.

You have to realize, these companies are solid. BCE has a solid grip on a large percentage of the Canadian population as one of the main companies in the oligopoly that provides wireless services to Canadians. This company has steady growth and solid free cash flow, although free cash flow was down 12.5% year over year when compared with the fourth quarter of 2018. Net earnings, however, increased a respectable 10.9% over the same period.

Both Bank of Nova Scotia and BCE have raised their dividends significantly over the past year, adding to a long streak of hikes. BCE raised its dividend by 5% in 2019, a continuation of raises that have contributed to the 128% increase the company has provided since 2008. BNS also had the next in a long line of dividend hikes with its payout increasing by 6% in 2019. Both these stocks are ready to begin adding today.

The final stock, Magna, is the exception in these three stocks. While you certainly could begin building a position in the auto parts maker today, I suggest you do so very slowly over the next few months. Every stock could fall, but should the economy fall into recession Magna could be quite hard hit.

Over the long term, however, you should be fine. This company is a global giant in the auto parts industry and is actively developing its capability to meet the needs of driverless vehicles. It is well-positioned to meet that goal, which is a long-term strategy.

Magna currently has a yield of about 3.2%. That yield has grown steadily over the years, similar to the other stocks mentioned in the article. The latest increase saw the payout grow by 10%. This allowed the company to return US$1.7 billion to shareholders through dividends and share buybacks.

The bottom line

It’s finally time for income investors to start entering positions in dividend stocks. All three of the companies listed, Bank of Nova Scotia, BCE, and Magna are excellent long-term holds. Start accumulating your position slowly, adding as the market goes down. Get excellent, growing income for years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:MGA (Magna International Inc.)
4. TSX:BCE (BCE Inc.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:MG (Magna International Inc.)

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