Become a Dividend Stock Millionaire Faster From a Market Crash

Description

The stock market correction in the last few weeks has made investors feeling uneasy and worried that it can turn into something more like a market crash.

Rather than focusing on the moment or even three months from now, let's focus on the long term. You should come to the logical conclusion that market corrections will help turn you into a millionaire sooner than if the market kept going up.

And if this market correction were to turn into a full-fledged crash, it can turn you into a millionaire even faster!

Here's a base case scenario.

In a fair value market, investors can buy dividend stocks like **TD** stock and **Keyera** (TSX:KEY) to generate annualized returns of about 10%. Based on $6,000 a year (or $500 a month) of investments, you'd arrive at more than $1,000,000 in 30 years.

By staying the course and continuing to invest in quality dividend stocks in a market correction or crash, you'll be investing your savings and dividends at higher yields and for greater returns, which will get you to the $1,000,000 sooner.

For example, if you can get annualized returns of 13%, investing the same $500 a month, you'll arrive at $1,000,000 in 25 years! And if you continue investing like this for the full 30 years, you'll reach almost $2,000,000!

TD stock

The Bank of Canada overnight rate cut of 0.50% to 1.25% this month caught the market by surprise and triggered a selloff in the bank stocks.

Even quality bank stocks like TD weren't exempt. After the roughly 12% correction in TD stock, investors can now grab the dividend stock at a low valuation of 10 times earnings with an absurdly high yield of 4.7%.

Similar the other Canadian banks, TD’s near-term growth is pressured. However, over the long term, assuming it reverts to higher growth of, say, 7%, it can deliver annualized returns of about 13% over a few years on an investment today.

Keyera

The 14% reduction in the Keyera stock price has now pushed its yield to almost 6.2%. In order to stay invested in Keyera, shareholders need to trust management and believe in the longevity of the business.

Keyera management is good at capital allocation. Since at least 2010, the company’s return on equity has been more than 13%. Its five-year return on equity of close to 15% is even higher than its bigger competitors’. This shows that management is selective about where it invests money and only chooses the best projects.

The consistency of its execution should put its shareholders at ease despite a fallen share price. Keyera’s quality is reflected in its long-term total returns.

Since 2007, before the last recession, the stock has generated total returns of close to 14% per year. In the period, it doubled its monthly dividend payout.

Its dividend is protected by a recent payout ratio of about 67%. A $10,000 investment today generates annualized income of $620 versus $533 from before the stock correction.

The undervalued stock can deliver five-year returns of at least 13% per year from a high yield, normalization of its valuation, and growth from its capital program. In 2020, Keyera plans to invest $700-$800 million in projects that can return 10% to 15%!

Investor takeaway

Don’t be deterred by market corrections or crashes. View them as your golden opportunities to get to $1,000,000 faster. Currently, the correction has made TD stock and Keyera more attractive. However, the correction can drag them to even cheaper valuations.

Stay the course on investing and have a plan on how you’re going to build your dividend stock positions. For quality dividend-growth stocks like TD and Keyera, you may simply average in on dips at opportune yields.

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