Buying Top Dividend Stocks Is the Best Strategy in This Market Crash

Description

With stocks prices tumbling and interest rates collapsing, the environment for long-term investors is getting hostile. One of the biggest challenges that common investors face at a time of this global health emergency is how to invest in this highly uncertain environment.

The **S&P/TSX Composite Index** has lost 29.5% from last month's peak so far — one of the fastest moves into a bear market in history. After a decline of this magnitude, one should wonder whether avoiding stocks altogether is the best strategy.

These are tough choices with no simple answer. Generally speaking, your savings strategy for your retirement depends upon your risk tolerance. If you're totally risk-averse, buy GICs, pick the best savings account, or invest in government bonds.

But the problem with this approach is that you won't be able to make meaningful progress toward your financial goals for your golden years. In an environment when interest rates are extremely low, these instruments can't offer you enough retirement income that's enough for you to live your retirement life comfortably.

The best GICs rates for five years, according to the website *ratehub.ca,* has fallen to 2.7% after the Bank of Canada's emergency rate cuts to avoid recession after the coronavirus pandemic. The rates on saving accounts is even lower.

Top dividend stocks

But that dismal situation doesn't show you the complete picture. After the past one month's of massive sell-off in equities, you can buy some of the top dividend stocks quite cheap and earn a much higher dividend yield.

Adding some solid dividend stocks and then continuing to buy more of them from your dividend income can produce a powerful savings tool for you. That means you also need to get ready to add some risk to your portfolio, because investing in stocks isn't as safe as buying GICs, or putting money in your savings account.

That said, there are ways to manage your risk. You can do careful due diligence of the stocks you're buying. For example, you can find some top companies that operate in a type of oligopoly where competition is limited, the regulatory environment is very favourable for their growth, and they have a very established and diversified revenue base.

Canadian National Railway (TSX:CNR)(NYSE:CNI) is one top dividend stock I recommend for long-term investors, including retirees. Over the past 10 years, CNR stock has delivered about 200% growth, including dividends, to long-term investors. In the current market sell-off, this top dividend stock is holding up quite well.

Trading at $97.93 a share at writing, CNR stock is down 20% in the past month when the benchmark Index has fallen about 30%. With an annual dividend yield of 2.15%, the company pays about $0.575 a share quarterly payout, which has grown about 17% per year during the past five years.

CNR enjoys a unique competitive advantage in North American economy, running a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico. This wide economic moat makes CNR a top recession-proof stock from Canada.

Bottom line

Even in this low rate environment, you can still earn a better return on your retirement portfolio. In order to achieve that goal, however, you need a disciplined investment approach, buying some top dividend-paying stocks and holding them for a long time.

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