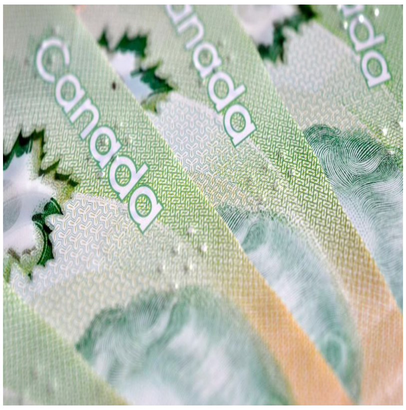

Market Crash Alert: Why You Should Buy Dividend Stocks

Description

The current market crash has wiped out billions of dollars in investor wealth. The COVID-19 pandemic has decimated stocks across most industries. But the sell-off also provides an opportunity to buy high-quality stocks at attractive valuations.

Dividend stocks are extremely attractive in the current environment. The pullback has driven dividend yields higher, making them solid bets when interest rates are near record lows. Now, investing in dividend stocks will not only provide investors with a stable stream of income but will also give them an opportunity to create wealth via capital appreciation once the equity markets rebound.

But how do you select dividend stocks in these volatile markets?

Large-cap dividend stocks

Canadians can look to bet on the largest companies in the country that generally have a huge market presence, strong balance sheets, and financial flexibility to overcome a recession. Below are some of Canada's top large-cap stocks with their respective dividend yields.

- **Royal Bank of Canada**: 5%
- **Toronto-Dominion Bank**: 5.4%
- **Enbridge**: 8.1%
- **Bank of Nova Scotia**: 6.5%
- **Canadian National Railway**: 2.1%
- **Brookfield Asset Management**: 1.4%

Warren Buffett stocks

When it comes to investing, you'll want to follow investors such as Warren Buffett. The Oracle of Omaha has been one of the most successful investors in the last few decades and has managed to beat broader markets by buying undervalued stocks. Let's take a look at some of Buffett's top holdings and their respective dividend yields.

- **Bank of America**: 3%
- **Coca-Cola**: 3.5%
- **Kraft Heinz**: 5.7%
- **Restaurants Brand International**: 4.3%
- **United Parcel Service**: 4.1%

Defensive dividend stocks

Another way to buy dividend stocks is by betting on companies that are part of dividend industries, such as utilities, groceries, and telecom. Essential services generally continue to experience low volatility, even in a recessionary environment due to the nature of their businesses. People will continue to buy food products and pay their electricity and mobile bills, even in a downturn. Here are a few defensive stocks to consider.

- **Fortis**: 3.5%
- **Verizon**:4.3%
- **Telus**: 5.2%
- **BCE**: 5.7%
- **Wal–Mart**: 1.7%
- **Kroger**: 2%

Growth stocks

Growth stocks that pay dividends continue to remain winning bets. Due to stellar growth metrics, these stocks generally crush markets in a bull run, and their dividends add to this exponential growth. Here we look at some of the top growth stocks for long-term investors.

- **Apple**: 1.13%
- **Microsoft**: 1.23%
- **Broadcom**: 5%

Dividend Aristocrats

Canadians can look to park their funds in companies that have increased dividend payouts in the last five years. These Dividend Aristocrats generally have strong fundamentals and low payout ratios allowing them to increase payments annually.

- **TransAlta Renewables**: 6.3%
- **Choice Properties**: 5.5%
- **Capital Power Corp**: 7.1%
- **Innergex Renewable Energy**: 3.8%
- **Laurentian Bank of Canada**: 8.7%

Buying cheap dividend stocks right now can help investors generate multi-fold returns and boost retirement prospects. You need to have a diversified portfolio of top-quality stocks across sectors and geographies, which will help mitigate different types of risks.

If you invest a total of $100,000 in the above 25 stocks, it will generate over $4,400 in annual dividend payments.

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