DON'T Buy Dividend Stocks: Buy These Instead

Description

It's been incredibly popular lately for investors to pick up dividend stocks. The poor economy has left many worrying about their income. So, naturally, they go to passive income in the form of dividend stocks.

That yield hunger, however, has come up short in many cases. Dividend cuts have only just started, as there are many more dips likely on the horizon, according to analysts. The market crash could be just the first of many. As the pandemic continues, and more earnings reports come out with negative results, this will leave many needing to cut costs. That means slashing dividends.

It's already begun. In the **S&P 500**, 16 companies have already cut their dividends, with 31 suspending dividends since the market crash in the middle of March. So, with more dips in the future, and the inability to rely on dividend stocks, now is a great time to look over your portfolio and see where else you should be investing. In my view, the best option is high-growth companies.

Ditch dividend stocks

While you won't usually get dividends, what you will get is an increased share price. Companies that offer high growth are usually taking the cash that would go towards dividends and reinvesting it in the business itself. So, even during a downturn, the companies have cash on hand, and can continue to transform while others are merely playing catch-up.

One industry that's clearly blown every other out of the water during this time is the e-commerce industry. Instead of dividend stocks, looking at e-commerce stocks offers the chance of high growth while other industries remain low. But that doesn't necessarily mean you need to pay an exorbitantly high share price or make a risky investment.

Growing higher

A smart investor would do well to look at **Cargojet** (TSX:CJT) right now. While this might be in the poorly performing airline industry, this company doesn't rely on passengers. Instead, it's relied on more than ever, as people stay home and have every type of package delivered online. Cargojet is the one making that happen.

While the company does offer dividends, I would not consider it a dividend stock. That's just an added bonus. While its airline industry peers have been trading at all-time lows, Cargojet currently trades at all-time highs. As of writing, the stock trades at about $142 per share. That's an increase of almost 110% since the stock fell during the market crash.

There's practically no chance that Cargojet stock will go down anytime soon. **Amazon** is one of the business's biggest clients. Last summer, the e-commerce giant made a $600 million agreement with Cargojet to be fulfilled over the next 7.5 years. Amazon then received 14.9% of cargo jets voting shares for the price of $91.78 per share.

Foolish takeaway

While you may not have gotten in at the market crash, I wouldn't worry about buying the stock at a premium. At The Motley Fool, we always recommend that when you're building a portfolio, you should be fine with a long-term view. That way, it's a very small chance that your stock won't do well if you're holding it for decades. Cargojet, in the meantime, should give huge short-term gains for its investors. If you buy a bunch of stock now, it's likely the share price will continue to rise as the e-commerce industry soars. Then you can sell some of your stake to collect the cash, but hold onto those stocks in the long run.

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