



Got \$10,000? Buy Top Dividend Stocks That Are Selling Cheap

Description

One of the biggest challenges for young investors is that they don't have much to save. But that limitation shouldn't stop them from starting to save now.

If you're young, you've a great advantage [to create wealth over the long run](#). And one of the best ways to do that is to buy top dividend stocks.

I'm a great fan of companies that pay regular dividends and then gradually increase them. You can start slowly by buying dividend stocks that are undervalued and have wide economic moats.

By identifying such top dividend stocks early in your life, you can build a portfolio that will give you regular returns in the shape of dividends and capital gains.

In Canada, some of the top dividend stocks are banks, gas and power utilities, real estate investment trusts, and telecom operators.

Pick the top names from these sectors and hold them over the long run. These companies distribute huge amounts of their income in dividends, and they grow these payouts every year as their profits rise.

Two examples of top dividend stocks

Let's take the example of **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), North America's largest pipeline operator.

Research has shown that the companies that provide basic services, such power and gas utilities, outperform in economic downturns and recessions.

These companies continue to generate cash flows and distribute most of those inflows in dividends. Earning consistent dividends means you are still getting income while waiting for the markets to recover.

Enbridge stock, after falling 20% this year, is undervalued in my view. After this plunge, this top dividend stock is now yielding more than 7%, which is a great bargain.

The company operates across North America, fuelling the economy and fulfilling consumers' energy needs. Enbridge moves nearly two-thirds of Canada's crude oil exports to the U.S.

Canadian banks offer another avenue for you to earn a [steadily growing stream of income](#). They are among the top dividend stocks in North America, benefiting from their balance sheet strength and their careful lending practices.

If you decide to buy bank stocks, consider **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), Canada's fourth-largest lender.

After the current sell-off, its stock is about 25% cheaper than it was a year ago. With this weakness, its dividend yield has soared to about 6%. BMO is one of the top dividend payers that's been growing payouts regularly. There's a very strong possibility that the lender will continue to hike its payouts. The stock currently pays a quarterly payout of \$1.06 a share.

Once you have bought some top dividend stocks, the next step is to keep re-investing your profit back and buy more shares. This step will unlock the power of compounding — one of the most important components of a successful long-term investing plan.

Bottom line

A disciplined investment approach, picking top dividend-paying stocks, and holding them for a long time are the key components of your journey to become a successful stock investor.

CATEGORY

1. Bank Stocks
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2. NYSE:ENB (Enbridge Inc.)
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