Saved a Lot of Money in 2020? Here Are 2 Dividend Stocks to Buy

Description

Canadian investors interested in long-term investing often overcomplicate the entire process. Businesses that have been around for several decades stayed strong through recessions and have been paying reliable dividends are excellent options investors can add to their long-term portfolios.

Investing in small-cap stocks with the hopes that the companies will see high growth is not the ideal way to go, unless you're a value investor. If you have saved a lot of money in 2020 and you are wondering how to invest it, I would suggest considering some high-quality, blue-chip stocks.

The broader market is going through a period of weakness, and you have the chance to add some high-quality stocks to your portfolio for attractive valuations. I will discuss two dividend stocks you should consider adding to your portfolio for reliable returns and long-term resilience.

Royal Bank of Canada

The valuation of **Royal Bank of Canada** (TSX:RY)(NYSE:RY) fell by 7.57% between August 27, 2020, and September 24, 2020. The banking sector is consistently under pressure from the economy's weakness and will likely remain like that for several months. However, RBC's loan portfolio is likely to provide the financial institution with recovery.

The bank is massive, well capitalized, and has diversified revenue streams to help it stand out among the other major financial institutions in the country. Royal Bank has relatively lower exposure to the most vulnerable sectors of the economy than its closest peers. It is not likely to see a significant decline in earnings if the market experiences further volatility.

At writing, RBC is trading for $94.19 per share, and it is paying its shareholders at an inflated 4.59% dividend yield due to its discounted share price. The bank's valuation looks attractive right now, but it would not be surprising to see further weakness in the short term.

Algonquin Power & Utilities

The utility sector has to be one of the most boring industries for investors who seek immense returns in a short time. However, utility companies' stability on the TSX is precisely why companies like **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) are attractive during market volatility periods.

During the recent sell-off that saw high-quality stocks take a dip, Algonquin remained strong. Algonquin was not spared by the April and March 2020 sell-off. The stock declined by more than 37% peak to trough for a March bottom valuation of $13.84 per share. However, it was also quite quick to recover compared to most other companies on the TSX.

Utilities are generally slow-growth stocks. Investors rely on dividends for returns on their investment. Unlike most other utilities, Algonquin provides substantial returns through both dividends and capital growth. The company's above-average earnings have allowed Algonquin to return almost 600% in the last decade, drastically outperforming its industry peers.

The stock is trading for $18.68 per share at writing, and it is paying its investors a juicy 4.41% dividend yield.

Foolish takeaway

Most Canadians changed their spending habits to adapt to the financially uncertain situation we are in during the pandemic. If you have saved enough to spare some, I would suggest getting your hands on stocks that can provide you with substantial long-term returns that can weather short-term market uncertainties.

Royal Bank of Canada and Algonquin are both looking attractive investments for both companies' current valuation on the TSX. I would suggest considering the shares of these companies for your long-term investment portfolio.

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