Forget Growth Stocks: Here’s How to Get Price Gains and Big Dividends

Description

The stock market recovered fairly quickly from the pandemic-triggered March market crash. Many growth stocks are now trading at new heights and appear more expensive than ever! Growth investors are finding it increasingly difficult to deploy money effectively in the market without having to increase their risks.

Investors’ ultimate goal is to make money in the market. There’s money to be made in value stocks that offer big dividends now. Not only do they offer pretty safe passive income from juicy dividends, but they will also provide price gains in the long run.

The dividend stocks of both **Toronto-Dominion** (TSX:TD)(NYSE:TD) and **TC Energy** (TSX:TRP)(NYSE:TRP) are set up to outperform their historical returns in the long run because they’re undervalued.

Get a 5.3% dividend from TD stock

TD Bank benefits from a highly regulated Canadian banking system that creates a favourable oligopoly environment for Canada’s big banks to operate in.

Additionally, it enjoys market-leading positions in the products and services it provides in Canada — particularly in multiple retail banking categories like its credit card portfolio.

In a normal macro environment, the quality bank stock would be considered attractive with a 4% dividend yield. This yield level would imply a stock price of $79, based on the current quarterly dividend of $0.79 per share.

Currently, a rare pandemic scenario is pressuring the economy and TD stock — thereby, its dividend yield is pushed up to 5.3%. The recent quotation of about $60 per share implies price gains of nearly 32% to get back to $79.

Eventually, on an economic recovery, the bank will be able to grow its dividend healthily, which will drive its stock price even higher over time. You would start with a yield of 5.3% today but your yield on cost will rise from here.

From 2010 to 2019, TD stock delivered annualized returns of 10.9%. Buying the depressed stock now should deliver even greater total returns. A rate of return of 15% over the next three to five years is possible!

Lock in a 5.7% dividend from TC Energy

The already underperforming energy sector has been particularly hit hard by the pandemic's negative impact. TC Energy is a relatively resilient stock in this space. In the first half of the year, its revenue dipped only 5% to $6.5 billion, while its comparable EBITDA remained essentially flat.

The safe dividend stock still sold off by 20% year to date and offers an attractive yield of 5.7%. TC Energy's latest dividend-growth guidance calls for an increase of 8-10% in 2021 and 5-7% in 2022 and beyond.

From 2010 to 2019, TC Energy stock delivered returns of 9.6% per year. Buying the weighed-down stock now can lead to annualized returns of 14% over the next three to five years.

The Foolish takeaway

The risk-adjusted returns potential in quality dividend stocks that are trading at discounted valuations are compelling. Don't ignore these low-hanging-fruit, money-making opportunities!

Instead of focusing only on growth stocks, investors should give these stocks, including TD stock and TC Energy, a closer look. The two provide attractive dividend yields of more than 5%. Looking out three to five years, they can also increase your wealth meaningfully with nice price gains.

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1. Bank Stocks
2. Coronavirus
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TRP (Tc Energy)
3. TSX:TD (The Toronto-Dominion Bank)
4. TSX:TRP (TC Energy Corporation)

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