



## Millennials: How to Save and Invest for Your 1st Home Faster

### Description

My fellow colleague, Jed Lloren, offered [a couple of safe ways](#) to [save](#) for your first home. If you're willing and comfortable to take on a bit more risk and volatility, you can invest and build your home-buying funds, such as your down payment, more quickly.

Stocks are viewed as riskier investments than bonds and GICs, but within stocks, there's a spectrum from low risk to high risk as well. Here, we'll cover some low-risk dividend stocks.

### Fortis stock

As a stock driven by a diversified portfolio of 10 regulated utilities, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) enjoys highly stable earnings. Specifically, 93% of its assets are transmission and distribution assets that help improve earnings stability.

Fortis's earnings increased steadily over time, which drove its 47 consecutive years of dividend growth. It also has the practice of maintaining a safe payout ratio in the mid-60% to mid-70% range.

Through 2025, investors can expect an average dividend-growth rate of approximately 6%, supported by Fortis's \$19.6 billion five-year capital plan.

At \$53.26 per share at writing, Fortis is reasonably valued. Its 12-month price target, across 14 analysts, is \$59.57, which represents near-term upside of nearly 12%. It offers a 3.79% yield. By buying today, your projected yield on cost (YoC) and annualized income will be as follows:

Year	2021	2022	2023	2024	2025
YoC	3.79%	4.02%	4.26%	4.51%	4.78%
Income*	\$379	\$402	\$426	\$451	\$478

*\*Projected annual income rounded to the nearest 100 on a \$10,000 investment.*

## Enbridge stock

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock is another Canadian Dividend Aristocrat that deserves your consideration. It has a diversified portfolio of energy infrastructure assets across liquids, gas transmission, gas distribution, and renewable power that generates stable cash flow in any economy. This pandemic-disrupted year is no exception.

ENB stock just increased its quarterly dividend by about 3% this month. Although its dividend-growth rate will likely be about half of Fortis's, it provides a much bigger yield of 7.92% today.

At \$42.18 per share at writing, Enbridge is undervalued. Its 12-month price target, across 25 analysts, is \$50.63, which represents near-term upside of 20%. By buying today, your projected annualized income will be as follows.

Year	2021	2022	2023	2024	2025
YoC	7.92%	8.16%	8.40%	8.65%	8.91%
Income*	\$792	\$816	\$840	\$865	\$891

*\*Projected annual income rounded to the nearest 100 on a \$10,000 investment.*

## Food for thought

From the income projection of the dividend stocks, you can quickly see why they could be perfect for growing your home-buying funds. Their analyst price targets, at best, indicate that there's a margin of safety for your capital by buying the large-cap, blue-chip companies at current levels.

Before you think about investing your down payment funds in the stock market, you should be prepared to keep your money in the market for five years, which should allow you to ride out any market corrections or crashes that could occur during that time.

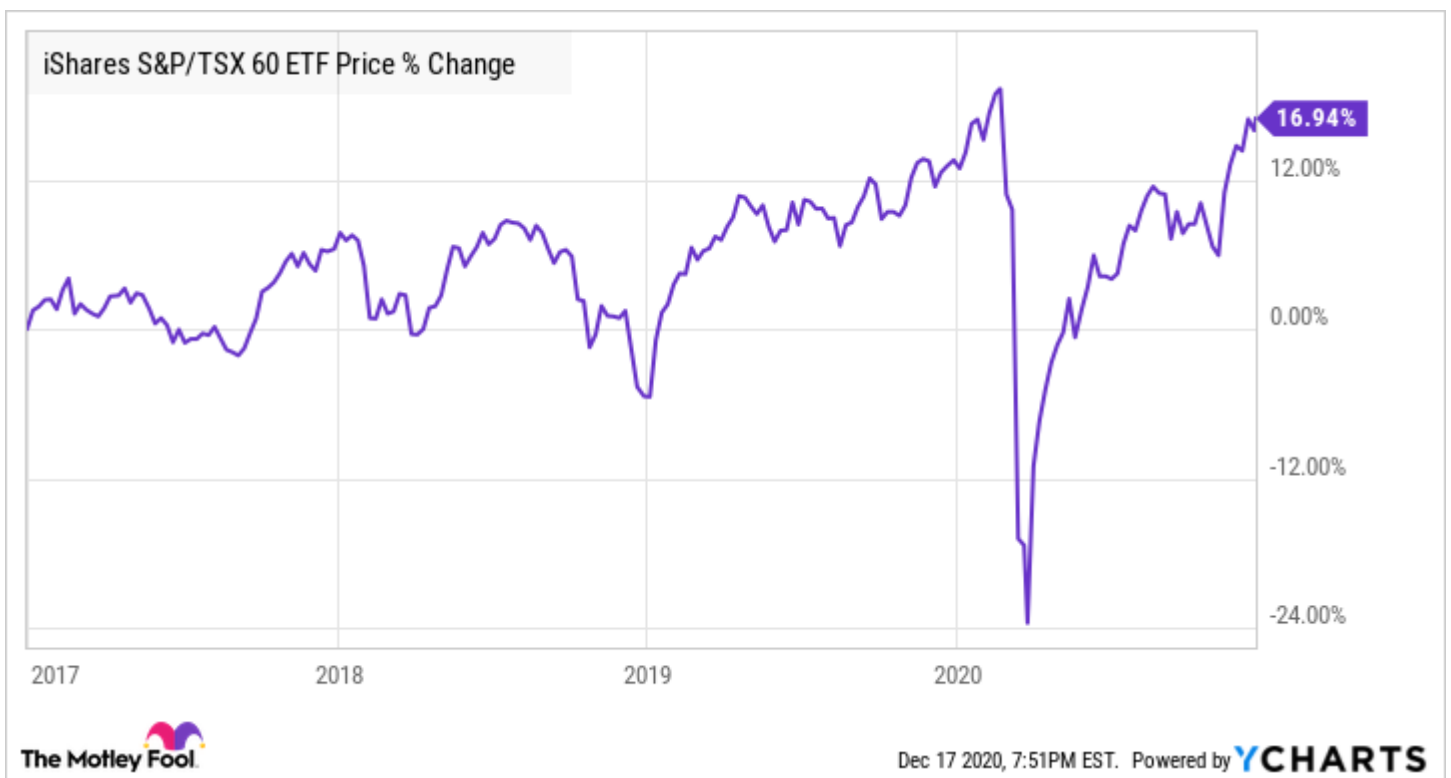
That said, there's a possibility that there could be a market crash in the fifth year. Look back to this year's stock market action in the chart below as an example.

From the market falling, hitting a bottom, and recovering, it took about nine months. But not every market crash recovers that swiftly. Therefore, it would be best if you're flexible on when you will buy a home. Can you wait a year or two or longer if a market crash occurs?



XIU data by YCharts. The Canadian stock market price action in 2020 using TSX:XIU as a proxy.

Of course, if the market gives you the opportunity to exit your positions, you could do that anytime and convert all or a portion of your investments back into safer bond and GIC options.



*XIU data by YCharts.*

For example, if you invested in safe dividend stocks in 2017, you could have exited in 2019 at good prices after getting three years of nice dividends.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

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## Date

2025/09/13

## Date Created

2020/12/18

## Author

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