



New Investors: Buying GameStop (NYSE:GME) Stock?

Description

Success stories on social media platforms like Reddit or StockTwits in high-flyer stocks like **GameStop** ([NYSE:GME](#)) are tempting new investors to buy these types of stocks.

Many buyers of GameStop are looking for quick gains. They're relying on the next guy paying more for the stock.

At writing, GME stock trades at about US\$181 per share, while the consensus price target is approximately US\$40 with the most bearish analyst calling for a US\$3.50 price target. So, buying the stock becomes a gamble and could be a quick way to lose money.

Stock investing doesn't have to be a gamble. You can put the odds in your favour.

For a greater degree of certainty to grow your capital, new investors might consider avoiding high flyers. Instead, choose your first stocks in proven dividend stocks.

Once you have built a decently sized portfolio of proven dividend stocks, you can consider allocating a percentage of your portfolio to invest in high flyers, if you like. This way, if anything happens to the high flyers, you'll have your core dividend stock portfolio to fall back on.

Here are a couple of dividend stocks for consideration.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) will deliver much more predictable returns than GME stock. A meaningful portion of its long-term returns come from its big dividend yield. This means investors don't have to rely on selling the stock.

This is what passive investing is all about! After you buy shares in a proven dividend-growth stock like [TC Energy](#), you can sit on it, do nothing, and collect passive income.

In fact, the company has increased its dividend for 20 years straight! Right now, at about \$60 per share, it provides a 5.8% dividend yield, which is super attractive particularly in today's ultra-low interest rate environment.

Decent price appreciation can be expected as well. Analysts believe upside of about 15% is possible over the next 12 months.

TC Energy's network predominantly consists of natural gas and liquids pipelines. Investors can complement their TC Energy holding with the following utility stock.

Algonquin

Algonquin ([TSX:AQN](#))([NYSE:AQN](#)) is a combination of regulated utilities and renewable energy facilities. About 70% of its portfolio is in regulated water, electric, and gas utilities across 16 jurisdictions and about 30% of its business is in renewable assets, which are largely under long-term contracts.

It has a US\$9.4 billion capital program through 2025, which will keep its portfolio mix in line with the 70/30 balance of regulated utilities and renewables.

Therefore, its adjusted earnings per share (EPS) remained resilient during the pandemic with growth of 2% last year. Based on the company's midpoint guidance, its 2021 adjusted EPS is estimated to grow about 14% this year to roughly US\$0.735. This implies a payout ratio of about 84% based on its current annualized payout of US\$0.62 per share.

Currently, the dividend stock yields about 4%. According to its usual schedule, Algonquin will increase its dividend in May. For reference, its five-year dividend-growth rate is 9.7%.

The Foolish takeaway

If you want predictable returns in nice dividends, consider stocks like TC Energy and [Algonquin](#), which have dipped recently. They are more secure investments versus the likes of GME stock.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:GME (GameStop Corp.)
3. NYSE:TRP (Tc Energy)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:TRP (TC Energy Corporation)

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