



Growth or Dividends: Which Delivers on Returns?

Description

Investors are worried about one thing: returns. So when it comes to long-term investing, that's still your main concern. However, the question is what to invest in to get those returns. Lately, many investors have moved towards growth stocks. In 2020, there were many to choose from. However, is this the best way to get returns in the long run? Or should investors look for stable stocks like dividend stocks to see long-term returns?

Growth vs. dividends

Let's look at two strong examples to choose from when it comes to growth stocks versus dividend stocks. In the last year, tech stocks in general saw major growth. One such strong company that saw immense growth — and should continue to see strong growth — is tech company **Lightspeed POS Inc.** ([TSX:LSPD](#))([NYSE:LSPD](#)).

The company saw immense growth with the huge rise in e-commerce. While the stock saw a drop with the market rebounding, it's due to rebound yet again. That's because e-commerce use is going to grow for the next decade at least. So the stock should continue to be in growth territory for the next 10 years at least.

That's especially as it continues to see a growth in subscriptions, payments, and expanding into further countries around the world. Most recently, the company delivered revenue growth 79% year over year, with recurring software and payments revenue up 85%. It also closed its acquisitions of ShopKeep and Upserve, which should continue to bring in more revenue.

So the next few years at least look super bright for this company. In the last year, shares are up 426%. Now is that growth sustainable? Likely not. Eventually, the stock will slow down. Look at **Amazon** for example. Shares eventually soared, but then levelled out. In the last decade shares have gone up at about 35% as a compound annual growth rate (CAGR). Also, this is a top of the line example, and it's unlikely Lightspeed will reach those levels.

Dividend stocks

While share growth may be slower, there's one thing you get from dividend stocks you don't usually get from growth stocks. You guessed it, dividends. Each quarter you receive cash from the company in the form of dividend payments no matter what shares do. So while a growth stock may suddenly tank (hello, **BlackBerry**), you would still see dividend payments from dividend stocks.

A top choice would be with utility stocks like **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)). The company has a solid growth strategy of acquiring companies, increasing revenue, then buying even more. Everyone always needs utilities. So even if the market drops, there is hardly a dip in utility companies.

In the last decade, shares have seen a CAGR of 20% from Algonquin. That's incredible given a good performance would be around 7%. Meanwhile, it offers dividends of 3.84% that's grown at a CAGR of 12.4%, another solid bit of growth. And that's over a decade, telling you this company has years of growth behind it, and years ahead. Unfortunately, that's something growth stocks usually don't have: historical growth.

Bottom line

Sure, you might find the next Amazon stock and be [sitting on growth](#) of 35%, but even then you *still* wouldn't have dividends to reinvest. Let's say you bought \$10,000 in Lightspeed stock today and you saw 35% growth over the next decade. By the end of 10 years, you could have \$199,778.74. Definitely not bad.

Now if you invested in a dividend stock like Algonquin, with proven growth of 20%, [reinvesting dividends](#), you also see strong growth. In two decades, you could be sitting on \$80,799.06 without investing another dime of your own money.

Here's the thing: one is way safer than the other. I'm not saying you should stay away from a strong growth stock like Lightspeed, but it doesn't have the strength that Algonquin stock does. So if you want safe and stable, go with Algonquin. If you want to take a bit of risk, you *could* see big rewards with Lightspeed.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:LSPD (Lightspeed Commerce)

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Date

2025/07/31

Date Created

2021/04/17

Author

alegatewolfe

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