1 Top Under-$30 TSX Dividend Stock to Buy Right Now

Description

The advent of low- to no-commission trading has caused many retail investors to opt for low-priced TSX dividend stocks that would have otherwise sat around collecting dust until the cash amount reached some level to justify the $10-per-trade cost. A low stock price does not mean a stock is cheap, though. And the reverse is also true.

Low stock prices are not indicative of undervaluation

While low-priced dividend stocks may be more appealing to younger investors who may not have considerable sums to put to work in the markets at any given moment, investors must remember that the low price of a stock is less meaningful without a careful evaluation of the underlying company and its valuation.

As such, beginners ought to view the low price of a stock as more of a “nice-to-have” rather than a must. In the world of stock selection, it’s a “must” to have a name that has a market price below a level that better reflects a business’s intrinsic value. That’s ultimately the discount you’ll get when paying for a name.

In this piece, I’ve hand-picked one under-$50 TSX dividend stock that is cheap with a bountiful dividend yield north of the 4% mark. This name isn’t the same steal as it was in the depths of March 2020. That said, it still looks modestly discounted, making it ripe for investors to pick at today’s levels.

Manulife Financial: A top TSX dividend stock under $30 with a 4.5% yield

Manulife (TSX:MFC)(NYSE:MFC) is a terrific dividend darling that shed over half its value during the 2020 market crash. The dividend yield swelled, and the stock was trading at fire-sale prices. You didn't have much time to load up on shares, as they bounced back with a fury, leaving little time for thosewho hesitated to load up.

Fast forward to today, and the stock is just 9% away from its 2020 highs. The yield has also compressed to 4.5%. You'll have to pay more for less yield. While less enticing, one must also consider that the inherent risks in the name have also dropped considerably. With the post-pandemic world now in sight and a potential rising rate environment ahead, the backdrop for the volatile life insurer hasn't looked this good in quite some time.

The stock is still cheap at 9.5 times earnings. One could argue that the risk/reward scenario is better today than it was in early 2020, when the outlook seemed dire for the lifecos. While marketed as a "must," life insurance tends to be viewed as more of a "nice-to-have." With the economy poised to continue roaring back, I'd look for Manulife to seize the opportunity at hand, as it looks to make up for lost time over the next 18 months.

Bottom line

Chasing low-priced stocks can be a bad idea. The price of a stock ought to be at or near the bottom of a list of traits to look for when stock picking. What investors should seek out are undervalued stocks, which may or may not accompany a low stock price.

Manulife is a prime example of a low-cost stock that's also dirt cheap with a bountiful dividend yield. And right now, I'd look to nibble away at the name if you've got an extra $500 or so in your portfolio to put to work.

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