New Investors: How to Get Rich With Dividend Stocks

Description

If you're thinking about how to start investing, it can be overwhelming. Oftentimes, we think about how we can better invest our money when we actually start having some extra cash available after paying for monthly expenses.

Know that you're not alone. We here at the Motley Fool will help you along the way with stock investing ideas and strategies. New investors who want to take a more passive approach to investing can consider buying and holding quality dividend stocks.

Dividend stocks on the Canadian Dividend Aristocrat list tend to increase their payouts over time. This means when you buy a basket of them, you will most probably see your income rise year after year, even if you don't add more money to the portfolio.

Beware that when you invest in any stocks, you're also taking on the risks of the underlying businesses. Stocks are known to have been removed from the prestigious list when they cut their dividends.

To avoid dividend cuts, look for businesses that are resilient through economic cycles. Here are a couple of dividend stocks on the Canadian Dividend Aristocrat list that have performed well through the last 10 years and the ups and downs of a business cycle.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock is one of the most predictable dividend-growth stocks on the **TSX**. It has increased its dividend for 47 consecutive years with a 10-year dividend-growth rate of 5.6%. Many investors buy and hold the dividend stock and continue adding to it on dips for a growing passive income.

The regulated utility has a visible multi-year growth plan of $19.6 billion through 2025 that it expects will grow its rate base at a compound annual growth rate of approximately 6% to $40.3 billion. About 66% of the projects are for distribution and transmission, helping the defensive utility maintain a heavier weight in transmission and distribution assets that deliver highly predictable returns.

Fortis stock is so predictable that management already planned out to increase its dividend at an average annual growth rate of 6% through 2025.

At $54.87 per share, it yields nearly 3.7%. With a dividend increase of about 6% expected in September, its forward yield is about 3.9%, which is quite attractive! Buying at current levels, investors can expect long-term total returns of close to 10%.

goeasy stock

Although both **goeasy** (TSX:GSY) stock and Fortis are Canadian Dividend Aristocrats, the former has exhibited incredible growth. A $10,000 investment in goeasy 10 years ago has transformed into $220,711 — that's 22 times investors' money! It has increased its dividend for six consecutive years with a five-year dividend-growth rate of 35%.

Last year, during the pandemic market crash, the stock fell about 60% from peak to trough. Investors thought that the demand for non-prime leasing and lending services would decline drastically during highly uncertain economic times.

Instead, the company increased its earnings per share (EPS) by 46% in 2020. This triggered a massive rebound in the growth stock. The stock doubled from the peak *before* the pre-pandemic crash and grew investors' money five times from the pandemic market crash low!

A double-digit rate of at least 15% is anticipated for its EPS through the next three to five years. So, the stock trading at $158 and change per share at writing, still trades at a cheap forward price-to-earnings ratio of about 16.2.

goeasy stock only yields about 1.7%, but investors should view it as more of a growth stock for outperforming total returns potential. If the stock corrects substantially, investors should review the business and determine if the setback is temporary. If it is, they should back up the truck and load up shares in the high-growth stock.

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2. TSX:FTS (Fortis Inc.)
3. TSX:GSY (goeasy Ltd.)

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