New Investors: Plan to Build a $100,000 Dividend Stock Portfolio

Description

Building a buy-and-hold dividend stock portfolio is relatively straightforward, because it immediately restricts investors to focus on quality dividend stocks. If you're just starting investing, here's a plan to build a $100,000 dividend stock portfolio.

Save frequently

You need to have money to make money. When you invest, say, $500 to buy shares of a company, you become a part-owner of the business. By investing in dividend stocks, you're entitled to the dividend payments that they declare.

Save money depending on your schedule. Try to save consistently and frequently. The more frequently you save, the better, as it'll help you develop the habit to save automatically without thinking. For example, you might save $50 a week or $300 on every paycheque.

If you get a bonus, save a percentage of that amount, too!

Invest with $0 commission

WealthSimple provides a $0-commission platform for stock investing. It means you can save a tremendous amount of fees in the long run, as competitors charge $5-10 per trade. For conversions between Canadian dollars and U.S. dollars, it charges a foreign exchange fee of 1.5%, but it's cheaper than competitors that charge approximately 2%.

If you're stringent on no-cost investing, then stick to Canadian stocks.

Notably, it takes time to transfer money to your WealthSimple account. So, make sure you have cash available in your trade account all the time to take advantage of market dips.

Start with 3-5% yield dividend stocks

Start investing in dividend stocks that offer dividend yields of 3-5%. They provide a good balance of decent income and stable growth. Dividend stocks with 3-5% yields include the big Canadian banks, telecoms, and utilities such as **Bank of Nova Scotia**, **TELUS**, and **Emera**. This type of stock can better secure the stability of your returns because of its dividends.

If you're saving and investing $500 a month for a 7% rate of return, it would take 12 years to achieve a +$100,000 portfolio. It would take 11 years if you get a 10% annual return. Buying on market corrections could push your returns towards the 10% mark. It would take 10 years on a 12% return.

In extreme cases, buying during market crashes like the 2020 pandemic market crash can greatly accelerate your portfolio growth. BNS, T, and EMA stocks are up +70%, +50%, and +40%, respectively, from their 2020 market crash lows.

Expand into high-growth stocks

After populating your portfolio with 3-5% yield dividend stocks, consider expanding into high-growth dividend stocks that probably have lower yields. With this type of dividend stock, you're accepting a lower initial yield for higher growth potential. Often, they're growing at +10% but provide yields of about 2% or lower.

For instance, 10 years ago, **Enghouse Systems** yielded 2.3%. An investment since then has grown to a yield on cost of more than 14% today on dividend growth of 21% per year. A $10,000 investment would have been a 12-bagger, growing to approximately $123,000 in the period.

Similarly, **Tecsys** yielded 2.6% 10 years ago. An investment since then has increased to a yield on cost of more than 12% on dividend growth of about 16% annually. A $10,000 investment would have been a 19-bagger, growing to approximately $194,000 in the period.

The Foolish investor takeaway

Save consistently and frequently. Invest with free trades on WealthSimple. Start with dividend-growth stocks that provide 3-5% yields for more secure returns. Then expand into high-growth dividend stocks. Invest in quality dividend stocks for a buy-and-hold portfolio with valuation, allocation, and diversification in mind.

CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

PP NOTIFY USER

1. tmfkopp

Category

1. Dividend Stocks
2. Investing
3. Personal Finance

Date
2025/07/27
Date Created
2021/07/25
Author
kayng