



## New Investors: Dividends vs. Growth — Which Is Better?

### Description

Canadian investors can easily invest in Canadian or U.S. stocks, but there are thousands of stocks to choose from. Moreover, new investors often have little capital to work with. How do you make sure that you'll earn good returns on your stock investments when some say that the stock market is just a big casino? [How do you start investing](#) with confidence?

Stock investing doesn't have to be speculative. First, build an emergency fund so that you won't be forced to sell your investments at a bad time. Then invest your excess cash in solid stocks. Should you invest for dividends or growth first?

### Start with stable dividend stocks

Not all dividend stocks provide safe dividends. Look for companies with a track record of dividend payments through market cycles. Ideally, they would have stable growth to support a growing dividend. Having a safe payout ratio is also another safety net.

Some common places to search for safe dividends are utilities, banks, telecoms, consumer staples, healthcare, etc. Here are some dividend stocks from each of those sectors for further research: **Fortis**, **Royal Bank of Canada**, **Comcast**, **General Mills**, and **Pfizer**.

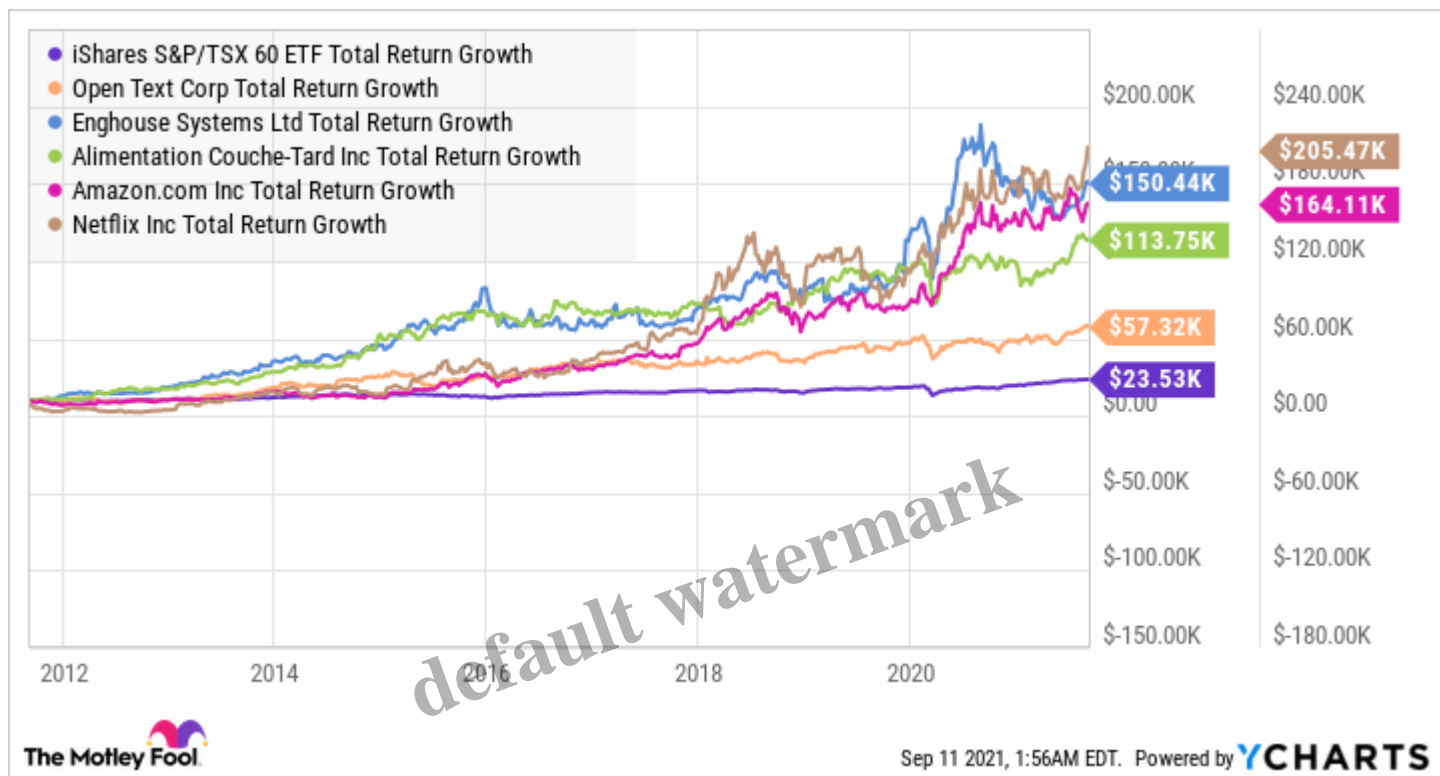
This list of safe dividend stocks will provide stable returns through an increasing dividend income and steady long-term price appreciation. If your stock portfolio earns a yield of, say, 3% from a dividend portfolio, you'll always get that stable return from the dividends. Aim to buy when the stocks are [undervalued](#) to maximize your yield and returns.

### Growth stocks to lead the way

Some investors have looked back on their investing strategy and wished that they had started investing in growth stocks instead of stable dividend stocks. The reason is that growth stocks can potentially grow one's wealth much faster with higher growth rates. The longer your money is compounded at a

high rate of return, the larger your nest egg grows.

Here's a chart comparing a \$10,000 initial investment in the Canadian stock market versus various growth stocks including **Alimentation Couche-Tard**, **Amazon**, **Enghouse Systems**, **Open Text**, and **Netflix** over the last 10 years. You'll find that growth stocks that pay a dividend tend to have low yields but usually increase their dividends at a faster rate.



Total Return Level data by YCharts.

When investing in growth stocks, consider companies that make good use of technology. These companies tend to grow their revenue faster. Ideally, they should have growing earnings or cash flow as well.

## The Foolish investor takeaway

Should you start investing for dividends or growth first? There's no absolute answer. For different investors, prioritizing one over the other would make more sense. Investors who need income now should prioritize dividends over growth. Some investors are more comfortable with a balance of dividends and growth.

The important thing is to get started by saving and investing regularly. You will surely make mistakes along the way, but that's just how everything else in life goes. And you will learn from them and make better investment decisions, as you gain more experience. If you don't need income for another 10 years or longer, it'll be more rewarding to focus on higher-growth stocks, whether they pay dividends or not.

## CATEGORY

1. Investing
2. Stocks for Beginners

#### **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

#### **PP NOTIFY USER**

1. kayng
2. kduncombe

#### **Category**

1. Investing
2. Stocks for Beginners

#### **Date**

2025/07/27

#### **Date Created**

2021/09/13

#### **Author**

kayng

default watermark

default watermark