



## 3 Reasons I Love Holding Dividend Stocks

### Description

Yesterday, I published an article about [my love and hate relationship with growth stocks](#). So, I thought I would expand my thoughts through this article about why I love holding dividend stocks to complement my growth stock portfolio.

### I love receiving dividends

I must admit that one of my favourite activities is to tally up my dividends at the end of each month. It's easy when I just invest with one bank. Through the online brokerage, I can download a spreadsheet of the dividends received in a month and use the SUM() function in a spreadsheet to add up the total dividends I received.

I record the total dividend income I receive for all my investing accounts including my TFSA and RRSP accounts in a table. At the end of the year, I would use the SUM() function again to sum up all my monthly dividend income to see how much I received for the year. This way, I can easily view the dividends I receive each month and the total I receive in a quarter.

Dividends are cold, hard cash. They can help me pay the bills or my income taxes that are due soon! When I don't need them to pay anything, I can reinvest them into stocks I find attractive.

This is why I have core dividend stocks that I hold on to. One of my oldest and largest dividend-stock positions is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). In my RRSP account, I never sold a single share and the position now has a yield on cost of about 9.2%.

Without any suspense, it will be my first dividend stock to reach a yield on cost of over 10% next year. This means the original investment that I invested five to six years ago will earn me a return of more than 10% going forward starting in 2023.

### Dividend stocks help stabilize my portfolio

There's no way around stock volatility. It's simply in their nature. However, dividend stocks that pay decent and safe dividend yields of 3%-6% in normal markets generally remain pretty resilient during market corrections. Even when they happen to fall meaningfully in market crashes, they also tend to get bid up sooner because of the support from income investors that feast on their juicy yields.

It follows that having a meaningful percentage of decent-yield dividend stocks reduces the ups and downs of my portfolio. This improved stability and the fact in receiving dividends periodically help tremendously in improving my long-term returns. It's similar to investors who maintain a portion of their investment portfolios in bonds to reduce volatility.

## Diversification

I oscillate between loving and hating my growth stocks. When they do really well and give me multi-baggers, I'm in love with them. When they fall hard like they recently have, it doesn't make me feel good. However, I learned that now could be a good time to buy more of my top growth stocks.

Where [dividend stocks](#) come in is that they are often powered by value stocks — stocks that trade at more earthly valuations than growth stocks that could still trade at stratospheric valuations right now after a pullback. As a result, many decent-yield dividend stocks have outperformed growth stocks in the last few months.

Some pundits anticipate that value stocks will continue to outperform growth stocks over the next few years as interest rates rise. Therefore, it's a good idea to own both dividend stocks and growth stocks, as different types of stocks simply take turns outperforming in history.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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kayng

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