2 Simple Canadian Stocks for Beginner Investors to Buy Now

Description

One of the first rules of investing, something Warren Buffett has recommended, and what naturally makes sense, is that you should never buy a stock that you don't understand. Whether you're new to investing or have years of experience, you should only buy Canadian stocks you thoroughly understand.

If you struggle to articulate how your investment makes money, what the major risks the business has, or what the company has to do to overcome those risks and continue growing, how can you accurately put a value on the stock and decide it's worth an investment?

The more you understand the entire business and its economics, the better a decision you can make on when to buy and when, if ever, you need to sell.

With that in mind, if you're just starting out, some of the best Canadian stocks to buy will be stocks that are simple and easy to understand. Here are two of the best to consider this week.

Two of the best Canadian stocks to buy for new investors

If you're looking for some of the best Canadian stocks to buy now that are easy to understand, **Pizza Pizza Royalty** (TSX:PZA) and **Dollarama** (TSX:DOL) are two I would suggest.

First off, both are well-known brands across Canada, but they also both have simple business models that are straightforward. And, most importantly, Pizza Pizza and Dollarama are two of the best Canadian stocks to buy now.

In Pizza Pizza's case, the company earns a royalty on any sales that its Pizza Pizza and Pizza 73 locations do. This is crucial because even if a few restaurants are unprofitable for brief periods, as long as they are earning sales, the corporation is earning a royalty.

Therefore, because there are hundreds of locations across the country, Pizza Pizza typically sees little volatility in its sales year over year. In addition, because it has few costs, most of the cash it brings in goes directly to the bottom line.

So, with the stock aiming to keep its payout ratio around 100%, investors can tell well in advance if the dividend has the potential to be increased or even if it's at risk of being trimmed. This makes it extremely simple to understand. And in this environment where reliable dividend stocks are in demand, it's one of the best Canadian stocks to buy now.

Dollarama is a bit more complicated than Pizza Pizza, only because it has more costs and factors to deal with. However, the discount retailer is still a straightforward business. And in this environment, with sky-high inflation, it's easy to see why a company like Dollarama has so much potential to see its sales continue to grow rapidly.

Consumers are looking for any way possible to offset higher prices, especially for essential goods they need to buy. Dollarama is well positioned in the current environment, making it one of the best Canadian stocks to buy now.

Should you buy Dollarama or Pizza Pizza for your portfolio?

Whether or not you should buy Pizza Pizza or Dollarama all depends on your portfolio, what you have exposure to, and what your goals are.

Because Pizza Pizza aims to pay essentially all of its net income back to investors, the dividend stock and its roughly 5.6% yield are suited for investors looking for predictable passive income. Dollarama, however, is one of the best Canadian growth stocks you can buy for the long haul.

It's certainly possible for investors to buy both these high-quality companies. However, you should only do so if you've done adequate research and fully understand each of these businesses inside and out.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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