New Investors: 2 Dividend Stocks to Buy for the Next Decade

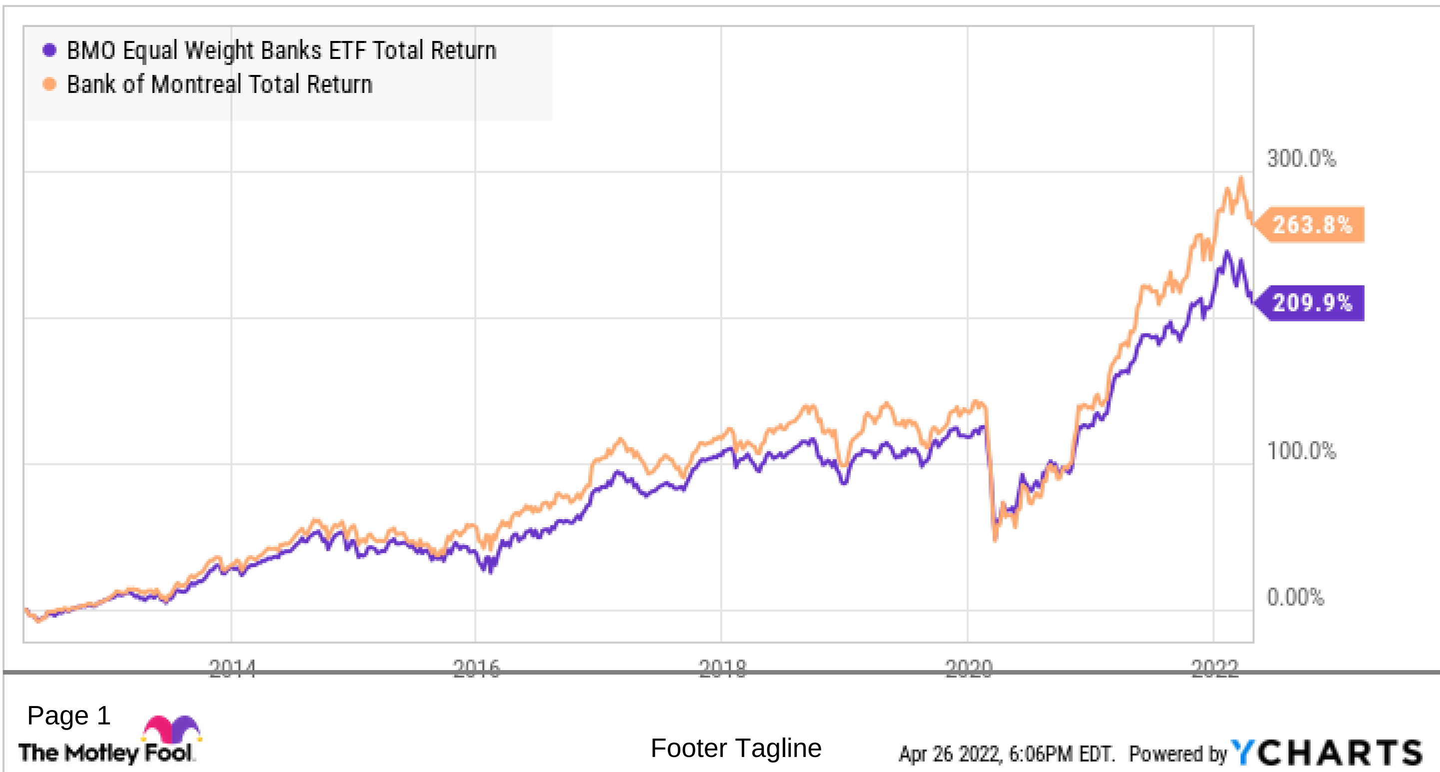
Description

The dividend stocks I'm about to introduce are solid winners for long-term investing. Therefore, [new investors](#) are encouraged to research them and consider buying the stocks on weakness. You shouldn't be disappointed in your total returns for the long haul if you continue to add to your positions, particularly during market corrections.

BMO stock

Big Canadian bank stocks are a solid component in any diversified investment portfolio. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock is a great choice to buy on dips. In the last three, five, and 10 years, the big Canadian bank stock has outperformed **BMO Equal Weight Banks Index ETF**, which trades under the ticker TSX:ZEB.

Particularly, the 10-year total return difference is close to 54% as shown below. That's a $5,390 difference on an initial investment of $10,000 at the start of the period!



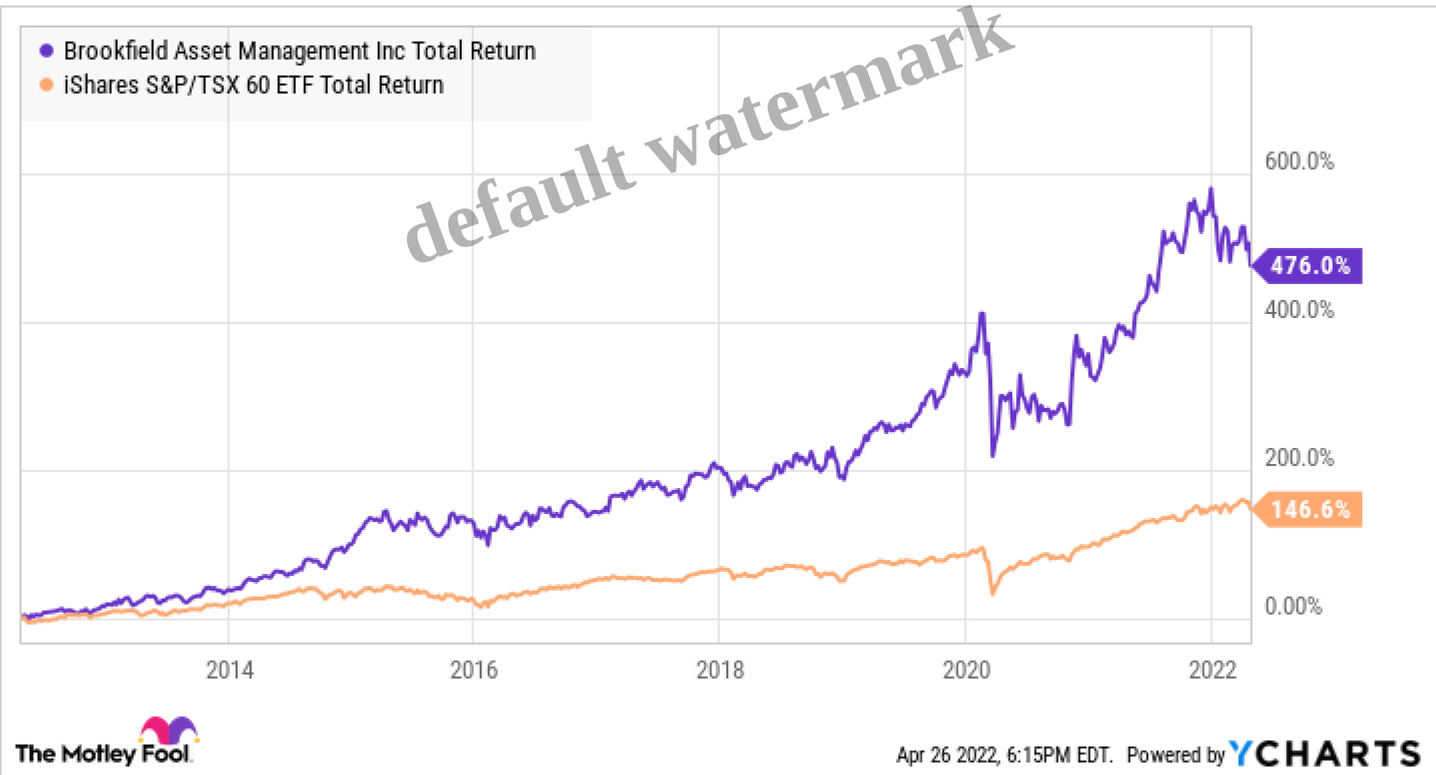
ZEB Total Return Level data by YCharts

To be exact, BMO stock's 10-year annualized returns are about 11.7%, which is above the long-term average stock market returns of 7-10%. Moreover, the bank stock also provides a decent yield of 3.8% at writing. Investors can expect dividend increases over time. Its payout ratio is estimated to be comfortably at about 40% this year. For reference, in the last decade, BMO stock has increased its dividend at a compound annual growth rate (CAGR) of almost 7%.

Valuation wise, BMO stock is undervalued by about 10-15%. So, interested investors can start a position and buy more on further dips.

Brookfield Asset Management stock

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) stock's yield is much smaller at about 1%. However, it has beaten the market returns in the last three, five, and 10 years. Specifically, BAM stock's 10-year total returns are about 476%, more than three times that of the stock market returns in the period! That is, its 10-year annualized returns are about 17.9%.



BAM.A Total Return Level data by YCharts

The alternative asset manager has multiple growth drivers. First, because of its target and track record of delivering a 12-15% rate of return on its investments, it has high demand for its products and services.

Second, it invests in a breadth of investments, including real estate, infrastructure, renewable power, private equity, and credit. Additionally, it invests internationally. So, it can invest in the areas that provide the best risk-adjusted returns at any time.

Third, it earns substantial cash flow on many of its investments, as many of its assets are cash cows. Fourth, it earns management and performance fees on its assets under management (AUM), which have reached a staggering level of approximately US$690 billion, about half of which is fee-bearing capital.

Last year, BAM experienced strong inflows of US$71 billion, signifying its strong ability to raise capital for its investment funds. The solid growth stock has increased its dividend over the years while growing the business substantially. In the last decade, it has increased its dividend at a compound annual growth rate of 9.3%.

Valuation wise, BAM stock is undervalued by about 20-30%. So, interested investors can start a position.

While both dividend stocks appear to be reasonable buys today, market corrections can make them even cheaper. New investors should be ready to take on volatility and ideally should have cash on hand to add to their long-term positions during market downturns to benefit from price appreciation in stocks of wonderful businesses for the long haul.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BN (Brookfield)

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