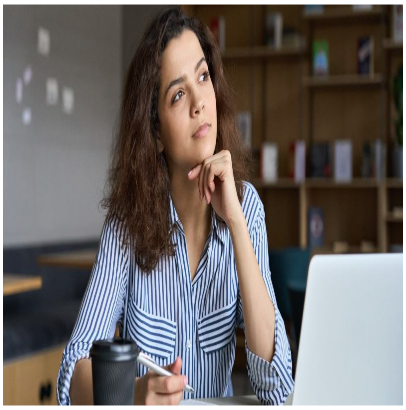

Dividend Stocks: Too Late to Sell in May and Go Away

Description

As Investopedia explains, "sell in May and go away" is an investment adage warning investors to divest their stock holdings in May and wait to reinvest in November.

For some dividend stocks, though, it may be too late to sell in May and go away. This bunch of stocks has already corrected meaningfully for investors who purchased shares within the last six to nine months. That said, the dividend stocks are now trading at attractive levels, and it would be detrimental to investors' wealth by cutting losses now. After all, stocks rise in the long run.

Many dividend stocks have the potential to recover and surpass their previous highs. However, investors need to be patient and hold for multiple years. Fortunately, in the meantime, many of these dividend stocks pay decent yields to compensate for holding.

Magna International

Recent comments from pundits generally indicate that auto-parts maker **Magna International** (TSX:MG)(NYSE:MGA) stock is a hold right now. The stock quadrupled from the pandemic market crash low in 2020 to its 2021 high. Therefore, it's not all too surprising that it has corrected by a third from a year ago. This is a good entry point for long-term investors.

> "Car part companies have been hurt. Valuations are low. They have a lot of European production which is probably negatively impacting them given the Russian war. Magna is a quality company that generates a lot of cash flow. He likes the car part companies because they can and will transition well to e-cars. But shares have disappointed in the past year."
> *John Zechner, chairman and founder of J. Zechner Associates*

> "Magna is caught up in supply chain issues that won't be resolved quickly. It's among the top 5% for value, trading at 11 times earnings, with a solid balance sheet. It has a reasonable payout ratio for a yield of 3%. It has top-notch management and is a world-class

> company. If you have time, hold. He'd want to see price momentum before stepping in."
> *Jason Mann, co-founder and chief investment officer at EHP Funds*

It sounds like the dividend stock price action will be uninteresting in the near term. However, Magna stock trades at a good valuation for long-term investing. Importantly, its dividend is sustainable with a payout ratio of about 35% of earnings this year. Despite being a cyclical company, Magna generates substantial earnings and cash flows in the last decade through economic cycles.

goeasy stock

goeasy (TSX:GSY) stock grew investors' money six-fold from the pandemic market crash bottom in 2020 to its 2021 high. Similar to Magna, it corrected by about 40% in the last 12 months. The consumer lender is a great dividend (and growth) stock to buy for long-term investors at current levels. By buying the stock now, you get a decent initial yield of just over 3.1% and double-digit earnings growth potential on an attractive price-to-earnings ratio (P/E) of about 10.5.

Here's a pundit's comment on GSY stock from February:

> "It got a little ahead of itself, down since August, though the market has been down since then. GSY is trading at 17 times earnings vs. 11 times historical P/E. goeasy loans to folks who can't go to the bank for money. Q4 results were great with record profits. GSY grows twice as fast as the banks, but trades at a lower P/E."
> *Jordan Zinberg, president and CEO of Bedford Park Capital,*

Bottom line

Both stocks have increased their dividends for more than five consecutive years. They can continue boosting their payouts in the future. In other words, investors having an investment horizon of at least three to five years should have a much greater chance of getting satisfactory returns than folks with a short-term investment horizon.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:GSY (goeasy Ltd.)
3. TSX:MG (Magna International Inc.)

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