Gen Z Investors: Get Out of Growth Stocks and Go for Value

Description

Generation Z has become one of the most active generations in terms of investing. Many came into the market during stellar growth opportunities and have kept up with it ever since. Yet now, it's becoming a lot more difficult to pick and choose strong growth stocks.

After the March 2020 crash, you practically couldn't go wrong when it came to choosing stocks — especially in the tech sector. These companies boomed, and now they're busting. That's because tech tends to be more volatile during downturns, leading to many taking returns.

This is why Gen Z should now shift their focus to value stocks from growth stocks. So, let's take a look at what makes a valuable stock and some options to consider.

What makes it valuable?

Value stocks tend to be blue-chip companies. These are companies with a market capitalization well over $300 million that have seen decades of growth — not just a few years. During that time, they've made it through recessions, economic downturns, and company issues to come out the other side.

From there, value stocks tend to provide stable income from a long-term approach to investing. They aren't thinking a year ahead but of the next decade. That's why these value stocks tend to also be household names, as they've been around the block several times. And that also means they can afford to pay out dividends.

And that's why Gen Z investors have to look forward to right now. It can be hard to think decades ahead, but now is the time to do so. You can experience long-term growth but still see income come in through dividends in the short term.

Let's get to an option I would consider today.

Steady as a rail

Canada has a duopoly within the railway industry, but analysts continue to peg **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) as the leader of the pair. The $83 billion company stands out for several reasons. For years it's seen stellar growth after overhauling its finances. It made cuts, closed stations, and reinvested in its infrastructure.

Now, it has the cash on hand to expand. And expand it has. CP stock was recently approved by the Surface Transportation Board of the United States to purchase Kansas City Southern. This would make it the only railway to run from Canada down to Mexico and therefore throughout North America!

This is a huge win for the company. CP stock will have access to more grain and oil fields, along with assembly centres for products like cars. That means even more revenue in the future for investors.

Yet right now, given the major investment of US$31 billion, short-term investors aren't as keen to buy into CP stock. But long-term investors and analysts know better. This will create stellar growth in the years to come. In fact, shares could explode and double in the next few years.

Furthermore, CP stock has been around for over a hundred years, boosting its dividend practically every year. The recent pullback in dividends comes from paying for this new purchase, which investors will find will be well worth it. Even still, it offers a yield of 0.81% as of writing.

Foolish takeaway

Growth stocks can be great in a booming market. But now it may bust, leading investors to seek value stocks like CP stock. In that case, I would pick it up today while it trades at a valuable 2.55 times book value and fair 23.86 times earnings — all while collecting dividend payments.

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