How to Buy Safe and Reliable Dividend Stocks in This Highly Volatile Market

Description

Investing in the stock market can always be slightly difficult and complicated. While there are ways to find straightforward strategies, such as buying and holding, there will always be several factors impacting stocks and the economy, making investing a little tricky. Even trying to find some of the best dividend stocks to buy, which are safe and reliable, can be challenging.

There are tonnes of high-quality stocks to choose from. But with every company operating differently, each business is being impacted by the current environment in a slightly different manner.

So, if you're looking to shore up your portfolio or just buy high-quality and safe dividend stocks that you can have confidence owning for years, here's how to find those stocks and ensure that they are as reliable as can be.

How to find safe dividend stocks to buy for your portfolio

In order to find high-quality dividend stocks that you can buy and hold with confidence, the first step is to find businesses with reliable operations. And in this environment, with inflation surging, finding defensive stocks that can maintain their margins will also be key.

Dividends are paid on the profits that a company can generate. If rising costs impact margins, it will likely impact the dividend. And even if a company doesn't have to trim its dividend, if its margins are squeezed, it could affect the company's ability to increase the dividend down the line.

It's crucial to ensure that the businesses you are buying have the ability to maintain their margins in the current environment.

You'll also want to make sure that the dividend stocks you may buy have reasonable payout ratios. This is something that you'll always want to research ahead of buying a dividend stock. But especially in this uncertain environment, if payout ratios are already making the dividend look risky, it could be a red flag, and you may want to hold off on investment.

Then once you've ensured that its payout ratio is safe, you'll also want to check the strength of the company's balance sheet. On a cash flow basis, the company may be earning enough to cover the dividend.

However, if it has tonnes of debt or several financial obligations in the short term and little liquidity, that could lead to more problems down the road, where the dividend may have to be trimmed or cut altogether.

So, with that in mind, here's one of the best Canadian dividend stocks to buy today.

A top stock to buy for safe and reliable passive income

If you're looking for safe dividend stocks to buy in this environment, a utility stock like **Emera** (TSX:EMA) is one of the best to buy.

First off, the stock's operations are essential, making it highly defensive. In addition, because utility stocks are so reliable, they also aren't very volatile, which makes them ideal for many investors in this environment.

A high-quality stock like Emera is perfect, because its operations are reliable, it's well diversified, and it has a long track record of execution. Furthermore, the stock doesn't just offer a yield of 4.2% today. Emera is also an incredible dividend-growth stock that's included on the Canadian Dividend Aristocrats list.

So, according to management's guidance, in addition to the 4.2% dividend yield today, Emera plans to increase that dividend between 4% and 5% for at least the next few years.

Therefore, if you're looking to find safe and reliable dividend stocks that you can buy and have confidence in, a high-quality and defensive stock like Emera is one of the best to consider.

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