



New Investors: 3 Dividend Stocks to Buy Soon

Description

Even the most experienced investors can feel uneasy in a market correction. Aren't there much more opportunities to buy stocks backed by quality businesses during such times? Absolutely. However, it's impossible to guess the bottom, so investors may run out of cash before the market downturn is over. By buying dividend stocks and receiving dividend income regularly, new investors can more comfortably ride through market volatility.

With that said, here are a few dividend stocks you can put on watch and potentially buy over time to start earning meaningful dividend income.

Solid bank stock

When it comes to solid dividend stocks, big Canadian bank stocks like **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) likely come to the centre of attention. They serve as anchors for many diversified dividend portfolios for a reason.

In particular, this year is CIBC's 154th anniversary of paying dividends. Not many companies can claim such a feat. The stock just had a two-for-one stock split this month, and it currently offers a safe yield of close to 4.7%.

The bank stock's dividend is supported by growing earnings. In the past 10 fiscal years, the bank increased its diluted earnings per share by almost 7.6% per year. In the period, it raised its dividend per share at a compound annual growth rate of about 5.3%. Its payout ratio is estimated to be sustainable at about 44% this fiscal year.

Analysts believe the stable bank stock is undervalued by approximately 15%. So, it's a good time for [new investors](#) to investigate and potentially buy on dips over the next few months.

Safe utility stock

Utility stocks are another excellent place to invest for the long term. Particularly, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a solid dividend stock to build a position over time. The diversified utility has increased its cash distributions every year for more than a decade, and it has multiple catalysts to continue driving its dividend growth.

The core of its strategy involves investing in and operating across infrastructure assets in different industries, including utilities, midstream, midstream, and data on different continents. Its operating expertise adds value to acquired assets. And it's not shy in selling mature assets to redeploy capital in better risk-adjusted opportunities around the world.

Much of its cash flow generation — about 70% — is indexed to inflation and about 90% is regulated or contracted. Both characteristics drive sustainably growing cash flows that lead to a healthy and increasing dividend.

Overall, management is confident in its target to increase BIP's cash distribution by 5-9% per year, while maintain a funds-from-operations payout ratio of approximately 60-70%. Currently, the quality dividend stock provides a yield of close to 3.6%.

Analysts believe the utility stock trades at a discount of about 14%. So, new investors can begin researching it and potentially build a position over the next few months.

Big telecom stock

The big Canadian telecoms are also favourites among dividend investors. Between Canadian Dividend Aristocrats **BCE** and **TELUS** ([TSX:T](#))([NYSE:TU](#)), the latter trades at a bigger discount of close to 10%. At \$31.30 per share at writing, TELUS stock offers a respectable yield of 4.3%.

The big telecom has invested significantly in its network last year — \$2.1 billion (or 66%) greater than the average of its capital spending over the prior three years. The higher spending won't last forever. So, it can increase its free cash flow generation significantly by 2023.

TELUS stock's 10-year dividend-growth rate is about 8.7%, which is very solid growth. Assuming a growth rate of 6-8% over the next few years, the reasonably valued dividend stock could provide solid total returns of about 11% without any help from valuation expansion.

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TU (TELUS)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:CM (Canadian Imperial Bank of Commerce)
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