



Dividend Stocks to Buy: Why Growth Outshines a High Yield

Description

Dividend stocks are some of the best investments you can buy and hold in your portfolio. These stocks give investors the chance to earn major capital gains. However, they are also returning you tonnes of cash all the time.

That's why dividend stocks are so appealing. First off, by constantly returning you money each month or quarter, it makes your investment a lot less risky, because you already see some return immediately. In addition, it also allows you to build cash quicker, allowing investors to redeploy that capital into new opportunities.

There's no question that dividend stocks are some of the best, but what kind of dividend stocks should investors look to buy?

What are the best dividend stocks to buy?

Often, when looking for dividend stocks to buy, investors will look for which stocks offer the highest yield, which sort of makes sense. Everyone wants to earn a big return and get as much cash back as quickly as possible.

However, over the long run, high-yield dividend stocks may not be the best, and often, a high yield can be a red flag and a sign of some risk the company has. After all, if the [yield](#) was attractive, and there was no risk at all, everyone would buy the stock, driving the price of the shares up and the yield lower.

Therefore, not only can high-yield stocks have more risk and uncertainty, but they also typically offer less growth potential.

This is why dividend-growth stocks can be such excellent investments. And some of the best to buy are ones that are constantly growing both the value for shareholders and the dividend payments they are making.

When a company can constantly increase its dividend each year, it clearly has top-notch operations.

However, in addition, a dividend-growth stock that is constantly increasing its payments will eventually offer a yield on cost higher than you would get if you just bought a high-yield stock in the first place.

Therefore, dividend-growth stocks are typically some of the best businesses that you can buy for your portfolio.

However, if you're still interested in stocks offering a high yield, there are a few that have significant dividend yields and are high-quality dividend-growth stocks. One is the energy giant **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), a massive stock with a [market cap](#) of more than \$115 billion.

One of the best dividend stocks in Canada

Enbridge is a perfect investment for many Canadians. The stock is massive, its operations are crucial to the North American economy, and it has a long track record of growing its dividend, even through periods of economic turmoil.

So, although the stock offers investors a significant yield of 5.8%, you can expect Enbridge to continue growing that payout year in and year out.

What's even more positive is that at this dividend level, Enbridge is also continuing to retain a bunch of capital that it can invest in growth. That includes tonnes of investment in green energy, which continues to offer significant long-term potential.

Therefore, although high-yield dividend stocks can be appealing investments, finding a high-quality dividend-growth stock, especially one with a long track record, will be a much better investment to buy and hold for the long run.

So, if you're looking for dividend stocks to buy now, Enbridge and other Dividend Aristocrats like it are, without a doubt, the place to start.

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