New Investors: 2 Solid Dividend Stocks to Buy in This Market Downturn

Description

Market downturns provide an excellent opportunity for new investors to buy solid dividend stocks without taking excessive risks, because some of those risks are already in play by the time a downturn occurs. During this period, investors can buy dividend stocks at relatively cheap valuations compared to when everything in the economy and market looks rosy. In other words, it's safer to invest during market corrections when you have a long investment horizon.

Here are a couple of solid dividend stocks new investors should consider buying for the long haul, as the market correction progresses.

RBC stock is a solid dividend stock to buy and hold

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a diversified bank that generates meaningful revenue in billions of dollars each year from personal and commercial banking, wealth management, capital markets, and insurance.

As a leading Canadian big bank, RBC will continue to deliver long-term stable returns. To start, it provides a safe yield of just over 4%. The bank targets a medium-term earnings-growth rate of 7%. So, the fairly valued stock can deliver total returns of more or less 11% annually in the long run.

The Bank of Canada raising interest rates can drive higher net margins at Royal Bank. Right now, inflation is too high. It's at its highest levels in 30 years, so it's the right move for our central bank to raise rates. However, RBC's business performance is also affected by the economic health of primarily Canada followed by the United States. If rates rise too much too quickly, it may put the economy at a halt and lead to a recession.

RBC is a solid bank that has survived through economic ups and downs. Therefore, new investors can consider the dividend stock whenever it trades at a good valuation. It is reasonably valued now. So, it could be a buy. If it falls lower, it'd simply be a stronger buy.

Fortis stock is a defensive dividend stock to buy on a downturn

Fortis (TSX:FTS)(NYSE:FTS) stock is another dividend stock that new investors can feel assured with. The regulated utility has paid out one of the longest dividend-growth streaks on the **TSX**. It's a Canadian Dividend Aristocrat that has increased its dividend for almost half a century! And its dividend is still growing with a target growth of about 6% per year over the next few years.

The utility consists of largely distribution and transmission assets for electricity and gas. So, it provides essential services that are needed in good and bad economies. As a regulated utility, it also enjoys predictable returns on its assets.

At about $59 per share at writing, the stock is fairly valued and yields 3.6%. Assuming a growth rate of 6%, the defensive stock can deliver long-term returns of close to 10% annually. The dividend stock has held up very well so far in this downturn. It may be wise for new investors to wait before starting to buy the stock in the low $50's range.

The Foolish investor takeaway

Both Royal Bank and Fortis have held up defensively so far through this market correction, because they are quality businesses that pay out safe and decent dividends. An increasing risk of a recession could trigger further downside, even in these quality names, though. So, new investors should consider buying shares systematically, such as dollar-cost averaging every few months to potentially lock in a lower cost basis and higher yield.

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