New Investors: 2 of the Best Canadian Dividend Stocks to Buy in This Correction

Description

In today's economic environment, where interest rates are rising to curb high inflation, and the risk of a recession is increasing, new investors may want to stay on the sidelines and keep cash close. That's entirely understandable when stocks are falling more than they're rising. We all want to buy stocks cheaper, but there comes a time when you have to pull the trigger.

One excellent investing strategy is to buy dividend stocks that pay durable dividends. The dividends received are cash that you can deploy into great stocks on the cheap in this correction.

When the stock market eventually rebounds, you can get price appreciation, too. Meanwhile, you would start collecting dividend income as soon as you become a shareholder of these durable dividend stocks. Without further ado, here are a couple of the best Canadian dividend stocks you can buy in this market correction.

A defensive dividend stock offering an attractive yield

One of the best Canadian stocks you can buy in this correction is **TELUS** (TSX:T)(NYSE:TU) stock. It's a defensive business in a highly uncertain economic environment. TELUS is one of the Big Three wireless service providers in Canada.

Mobile phone and internet subscriptions are generally pretty sticky. Additionally, it gets to benefit from a growing population. And it'll be able to more or less pass rising inflationary costs via increasing plan prices.

The solid dividend stock appears undervalued after correcting 17% from its high. At $28.69 per share at writing, it provides an attractive dividend yield of 4.7%. It's a good place to start accumulating shares.

The company is well managed and had $4.35 billion in retained earnings and $774 million in cash and cash equivalents at the end of the first quarter. Combined, they are enough to cover almost five years of dividends.

Of course, TELUS stock doesn't keep its dividend stagnant. Since 2004, the Canadian Dividend Aristocrat has increased its dividend every year. For reference, its five-year dividend-growth rate is 6.7%.

One of the top bank stocks to buy in this correction

Christine Poole picked **Royal Bank of Canada** (TSX:RY)(NYSE:RY) as one of her three top stocks on *BNN* this month. Here's her take on RBC:

> "Banks are attractive for income and good for long term. RBC bought a small wealth management business from the U.K… Talks of rising rates are pressuring the housing market, but there remains a housing shortage in Canada. Immigration flow into Canada will also fuel housing demand. So, the banks are well-positioned. Oil and base metals are thriving this year and are another tailwind for the Canadian economy and the banks."
> *CEO and managing director at GlobeInvest Capital Management*

RBC stock raised its dividend by 6.7% last month. At $124.53 per share at writing, it offers a safe yield of 4.1%, trades at a good value of about 11.1 times earnings, and targets a medium-term earnings-growth rate of 7%.

In the past 10 years, the diversified Canadian bank increased its earnings per share by 9.5% per year. So, its target growth rate is very reasonable. Moreover, the bank has enough retained earnings to cover about 11 years of dividends.

This market correction can drag down these top Canadian dividend stocks to even more attractive levels, leading to juicier dividend yields. New investors seeking passive income should consider buying some TELUS and Royal Bank shares on the cheap.

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Date
2025/09/11
Date Created
2022/06/20
Author
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