Now Is a Terrific Time to Start Investing in Dividend Stocks

Description

There's always something that can trigger a market correction. History indicates that every two years or so, the stock market will experience a market decline of over 10%. This month on *BNN*, Teal Linde stated more specifically that "Over the last 140 years there have been 20 bear markets and the average length has been 289 days." A bear market is a downturn of 20% or greater.

The U.S. stock market is in a bear market. The Canadian stock market is not yet in that territory, as it's only down about 13% from its peak. Usually, the Canadian stock market follows the direction of the U.S. stock market.

The stock market has been the highest-return asset class in the long run. Therefore, it's the best time to shop for value in quality stocks during market downturns. Now and probably through 2022 is a terrific time to start investing.

If you're new to investing, consider low-risk dividend stocks like the following.

A big Canadian bank stock providing a safe 5.5% dividend income

Big Canadian bank stocks are some of the safest investments to park your money. It's a no-brainer to accumulate shares in a market downturn.

Right now, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) provides the highest yield of 5.5% among the Big Six Canadian banks. At $75.61 per share at writing, the solid bank stock trades at about 8.7 times earnings, which is a good discount of more than 20% from its fair value.

New investors should keep in mind that stocks can tread lower even when they trade at a discount. Investing is a long-term endeavour. Once you start a position, focus on the dividend income and be confident that the stock will turn around in the long run. If you don't trust a business will do well in the long run, do not invest in its stock.

Combining BNS stock's dividend, earnings growth of about 5%, and discounted shares, it can deliver total returns of about 10-15% yearly over the next five years.

Start investing in this dividend-increasing telecom stock

New investors should also look into adding **TELUS** (TSX:T)(NYSE:TU) to their dividend stock portfolios in this market correction. TELUS's services, such as its internet and mobile phone subscription plans, are sticky. Its sustainable cash flow is what has supported a healthy and growing dividend every year since 2004.

At $28.47 per share, analysts believe the defensive dividend stock trades at a discount of over 17%. The telecom stock offers a nice yield of almost 4.8%, too. Importantly, sitting comfortably on the company's balance sheet is a nice reserve of retained earnings that cover about four years of dividends! Of course, retained earnings have other uses as well, such as for growing the business. But anyway, the stable telecom also generates earnings and cash flow that also help support its dividend.

BNS and T Dividend Yield data by YCharts

Bottom line

Bank of Nova Scotia and TELUS are becoming attractive for dividend income. However, they could sell off some more over the next months as the market correction plays out.

No one can guess where the market bottom is. As a result, new investors can consider accumulating shares over time to hopefully get a lower average cost basis. For reference, you can check out the chart above that displays the 10-year dividend yield ranges of the two solid dividend stocks.

CATEGORY

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2. Investing

TICKERS GLOBAL

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2. NYSE:TU (TELUS)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:T (TELUS)

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