



New Investors: 3 Top Dividend Stocks to Start a Simple Portfolio

Description

New investors should be excited about [starting investing](#) in today's environment. We're in a stock market correction. The financial markets will always be volatile, but the idea is to buy quality stocks when they're undervalued.

Here are three top dividend stocks for you to start researching for a simple income portfolio.

Start investing in this stable telecom stock

The Canadian stock market yields about 3%. So, **TELUS's** ([TSX:T](#))([NYSE:TU](#)) dividend yield of 4.7% is attractive. It has a good buffer protecting its dividend. Its trailing-12-month (TTM) payout ratio is 64% of earnings. Other than that, it also has a reserve of retained earnings that's about four times its TTM dividend.

At \$28.67 per share at writing, the defensive dividend stock trades at a discount of about 16% from the 12-month analyst consensus price target. It is a Canadian Dividend Aristocrat with a five-year dividend-growth rate of 6.7%. Going forward, it should be able to increase its dividend healthily by about 6-7% per year.

TELUS is an essential telecom provider primarily in Alberta and British Columbia. Its products and services include internet, TV, smart home services, Internet of things solutions, social networking, and messaging and mobile applications. Many of its products and services are subscriptions that provide recurring revenue that rise over time.

A diversified bank for dividend income

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is another defensive [dividend stock](#) that new investors can consider. It has paid uninterrupted dividends for more than 150 years! Because of its large size and diversified business, the bank stock tends to trade at a premium valuation versus its big Canadian bank stock peers. The RBC stock price is also less volatile.

Other than having a presence in 29 countries, Royal Bank is also diversified by business segments, including personal and commercial banking, wealth management, capital markets, insurance, and investor and treasury services.

At \$124.64 per share, RBC stock trades at about 11.1 times earnings, which suggests a fairly valued stock. It currently offers a solid yield of 4.1%. Its recent payout ratio was sustainable at approximately 40% of earnings. As a reference, its 10-year dividend-growth rate was 7.6%. The bank targets a medium-term growth rate of 7%. Given its safe payout ratio, it follows that it can increase its dividend at a similar rate as its earnings growth.

To stay on the financial services theme, I'll round it up with **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)).

Sun Life stock

Similar to Royal Bank, Sun Life is also a darling stock. It tends to trade at a premium valuation and the dividend stock is relatively defensive. The life and health insurance stock's earnings have been highly stable in the last decade.

At \$58.98 per share at writing, it trades at about 9.7 times earnings, which is a discount of approximately 18% from its fair valuation. At this stock price, it also provides a dividend yield of close to 4.7%.

Its TTM payout ratio is about 38%. Sun Life stock's five-year dividend-growth rate is about 7.4%. Going forward, it should be able to increase its dividend at a similar growth rate.

The Foolish investor takeaway

All three dividend stocks are supported by underlying solid businesses that generate quality earnings that are set to grow stably in the long run. They provide an average dividend yield of about 4.5% today if you invest the same amount in each stock. The dividend stocks are good buys today.

However, note that the market correction can still weigh on the stocks potentially over the next few months. So, new investors should consider investing their excess cash over time instead of in a lump sum.

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2. NYSE:TU (TELUS)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SLF (Sun Life Financial Inc.)
5. TSX:T (TELUS)

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