



3 Starter Stocks to Buy for Wealth Building

Description

Even though many people start investing quite early in their lives, few manage to build considerable wealth by the time they retire (beyond a decent-sized nest egg). One of the reasons is that they don't follow a consistent approach and radically change their portfolios along the way.

A simple way around this problem would be to identify some starter/beginner stocks that offer powerful long-term return potential, divert a decent portion of your savings to them every year until they remain true to their potential. And if this is something you are interested in, three companies should be on your radar.

The banking giant

Even among starter stocks, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) has its own special place. Not only is it the most stable, largest security on the TSX, but it's also the leader of one of the most stable banking sectors in the world. And even though it's facing significant competition from the next bank in line, **Toronto-Dominion**, Royal Bank leads the pack in several categories, including market cap.

The reason why it's a perfect beginner stock is the combination of capital-appreciation potential and dividends it has been offering for the past two decades. It doesn't offer rapid growth, but the level of certainty its growth comes with is quite rare, especially if you think in terms of decades.

The 10-year price returns of 138% plus the current 4.11% yield (which may become higher if the stock falls more) can be quite transformative in three to four decades.

A food and medicine retailer

Food and medicine are considered two of the most evergreen businesses, and **Metro** ([TSX:MRU](#)) has combined them under one banner (and several brands). The company also has an impressive presence with its food and drug stores catering to the bulk of the population. It's a household name

and capable of surviving a wide variety of harsh market conditions.

And this is something the stock has proven time and time again. In 2020, the stock barely budged and was back to the pre-pandemic levels in a matter of months. This year, when the TSX as a whole has fallen over 11%, the stock has risen 3%.

The company also offers dividends and is an established aristocrat, but the yield is usually not comparable to dividend stocks like Royal Bank. However, the rapid growth pace, as evident by its 10-year price growth of almost 300%, more than makes up for it.

A golden stock

Even though most investors, even beginners, understand that gold can be used for hedging in rough markets, gold stocks are not very popular long-term holdings. But there are exceptions like **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)). It's a streaming and royalty giant that offers "selective" gold market exposure to investors, preventing them from many of the risks associated with the industry.

The company has a financial stake in a global portfolio of gold-producing properties and assets. And it's one of the few gold stocks that offer a relatively consistent capital-appreciation potential instead of growing only when the market is down. It returned over 267% to its investors in the last decade through price appreciation alone, and even though the yield is low, the dividends are an added bonus.

Foolish takeaway

If you are wondering how to [build generational wealth](#) and whether these stocks can help you with it, the answer is yes.

All three are healthy dividend stocks, and if you can grow your stake in the three companies to a decent size, you may be able to generate enough income from dividends alone that you don't have to generate funds by selling your shares in the company. And you can pass it on to the next generation.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FNV (Franco-Nevada)
4. TSX:MRU (Metro Inc.)
5. TSX:RY (Royal Bank of Canada)

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