Keep Cash or Invest? 2 Fundamentally Sound Stocks for Beginners

Description

The stock market storm of 2022 is temporary, though it's still stressful and disruptive for investors. If you're new to stock investing, feeling apprehensive about whether to keep cash or invest is understandable. For seasoned or long-term investors, the declines and downtrends are bumps in the road.

According to market analysts, most people prefer to stay invested rather than duck out of the market, because they know it will reverse course eventually. Natasha Kovacs, a Senior Planner with **TD** Wealth, said, "Everyone should be investing according to how much risk they're comfortable with. So, whatever happens over a lifetime of investing, no one should be losing sleep about brief interludes."

Fortunately, the **TSX** has fundamentally sound investment options for beginners. The **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Enbridge** (TSX:ENB)(NYSE:ENB) are time-tested and have shown resiliency amid market turbulence. This year is no exception, and you can have peace of mind by holding one or both in your stock portfolio.

The dividend pioneer

BMO is the dividend pioneer. The dividend track record of Canada's oldest and fourth-largest financial institution is approaching 200 years. This $84.22 billion bank started paying dividends in 1829. This year, as of July 20, the Big Bank stock trades at $124.86 per share (-6.58% year-to-date) and pays a 4.45% dividend.

Look beyond the short-term negative sentiment or price pullback. In late 2021, BMO increased its dividend by 25%, the largest percentage increase by a Big Six bank during the dividend bonanza. Effective Q3 fiscal 2022, the yield will increase by another 5%.

BMO, through BMO Harris Bank in Chicago, Illinois, is set to acquire Memphis-based Bank of West. Its CEO, Darryl White, said, "This acquisition will add meaningful scale, expansion in attractive markets, and capabilities that will enable us to drive greater growth, returns, and efficiencies."

Management has set its sights on further growing its wealth management business in the U.S. The acquisition is a value accretive transaction (US$13.4 billion) for BMO because of the quality of the franchise. Once complete, the Canadian bank will secure a strong position in three of the top five U.S. markets, including a footprint in 32 states.

A no-brainer buy

Enbridge is a no-brainer buy. The top-tier, utility-like energy infrastructure company has raised its dividends for 26 consecutive years. If you invest today, the share price is $55.49, while the dividend yield is a hefty 6.19%. On a year-to-date basis, the gain is 15.85%. Note that in 46.58 years, the total return is 55,396.55% (14.53% CAGR).

The $112.44 billion company derives revenue from four blue-chip franchises (gas distribution, gas transmission, liquid pipelines, and renewable power). In the full-year 2021, net income grew 84% to $6.18 billion versus the full-year 2020. Based on the current run-rate, net income in 2022 should be around $6.22 billion.

High endurance

BMO and Enbridge are favoured by investors because they’re reliable and boast lengthy dividend track records. Both large-cap stocks aren’t immune to market volatility, but are equipped to weather economic downturns. They even come out stronger every time. This should build confidence among beginner investors with long-term financial goals.

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