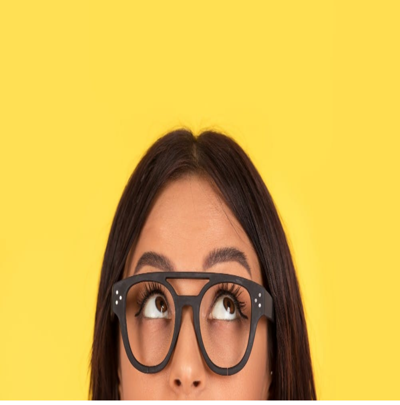

Better Buy: 2 Stocks or 797 Shares?

Description

Equity ownership on the TSX could mean stocks or shares. Investors use the two words interchangeably, although shares generally refer to units of stocks. People buy stocks to make money or grow it. When you invest in a publicly listed company, you become a part-owner, or a shareholder.

A share is the smallest denomination of a stock, so the number of shares determines your ownership of a company. However, for income-generation purposes, the basic terms could be confusing. Is it better to invest in more companies or hold more shares of a specific company?

Distinction

The beauty of the stock market is that there's no limit to the number of stocks you can buy. When you invest in two or more Canadian companies, you own stocks. However, if your investment is in a single company, you own shares of that company. You can make money either way if the price or value of the investment increases.

Many investors pick dividend stocks, because the return on investment (ROI) is higher. Besides the price appreciation, there are regular income streams that come in quarterly or monthly. Others pick growth stocks, despite the absence of dividend payments. The potential capital appreciation could be much more, especially from growth-oriented companies.

High-yield dividend stocks

TC Energy (TSX:TRP)(NYSE:TRP) trades at $64.25 per share and pays a lucrative 5.6% dividend. Your $5,000 could buy nearly 78 shares of the $65 billion energy infrastructure company. Also, the money will generate $70 in passive income every quarter.

Another generous dividend payer is **Rogers Sugar** (TSX:RSI). The $654.4 million sugar and maple products producer pays a hefty 5.74% dividend. Because the share price is lower at $6.27, your $5,000 could purchase 797 shares of the consumer staples stock. The corresponding quarterly dividend is $71.75, or slightly higher.

TC Energy is up 12.05% year to date, which means investors bought the stock at $57.34 on year-end 2021 and have gained $6.91 per share. Rogers Sugar rose 8.5% from $5.78 on December 31, 2021, to $6.27 on August 19, 2022. However, note that the difference in dividend payments isn't material, despite the considerable disparity in share prices.

Assuming you allocate $5,000 equally, or $2,500 in each stock, the resulting quarterly dividend is $70.87 or almost equal if you own only one. This illustrates how investors make money through stock investing (they buy low, sell high, and get dividend earnings).

But because of the inherent risks in the stock market, the sound advice is to spread the risks and diversify. More assets in a portfolio can compensate for one asset's poor performance, and therefore, you can minimize or even prevent losses.

The rationale for owning multiple stocks

Share prices fluctuate depending on economic conditions. All companies, including TC Energy and Rogers Sugar, aren't insulated from market downturns. Fortunately, the respective businesses are stable and doing well, notwithstanding inflationary pressures.

Combining the two stocks in your portfolio offers instant diversification. You also safeguard your money by owning both instead of one. TC Energy and Rogers have strong fundamentals to endure market declines. More importantly, the dividend payments should be uninterrupted, even if their share prices fall.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:RSI (Rogers Sugar Inc.)
3. TSX:TRP (TC Energy Corporation)

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