New Investors: 2 Dividend Stocks to Get You Started

Description

Are you looking for stocks to get you warmed up in the new world of investing? You can start investing in dividend stocks. They should give you better peace of mind in the volatile and ever-unpredictable stock market because of income they provide through their dividends.

The dividend income can be stable returns or real cash that will appear in your account periodically irrespective of what stock prices do. Specifically, you should seek dividend stocks that pay out safe dividends. I'll provide a couple of examples for you to start your research in.

Emera stock

Emera (TSX:EMA) is a regulated electric and gas utility with a tilt towards electric utility operations and Florida. Although its portfolio consists of six utilities, its Florida electric utility business contributes almost half of its adjusted net income. Naturally, it also earns about 63% of its adjusted earnings from the U.S.

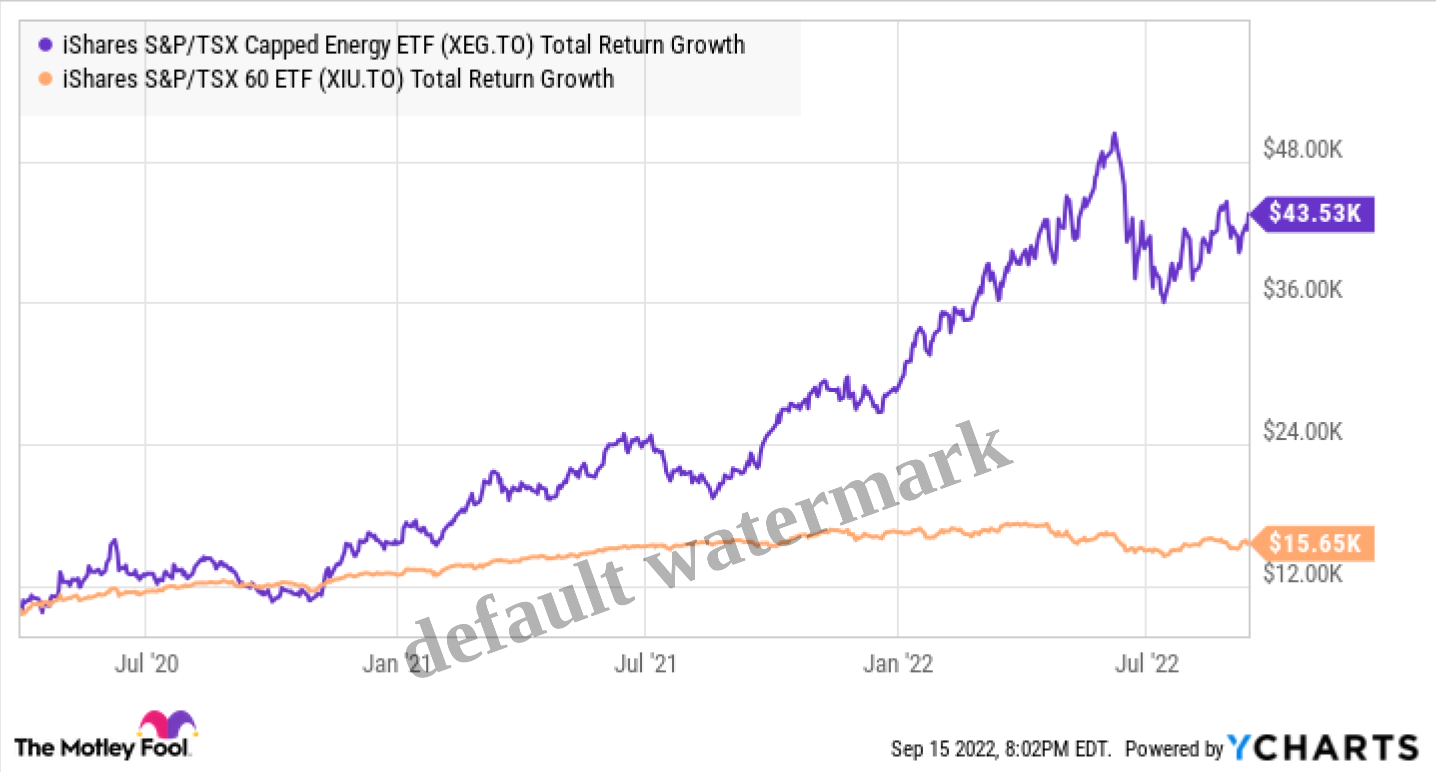
The utility continues to focus on its investments in Florida with almost 70% of its capital plan in the large and fast-growing economy. From 2020 to 2024, Emera estimates its consolidated capital plan can drive a respectable rate base growth rate of 7-8%.

As a utility that makes stable, growing earnings, Emera stock is naturally a Canadian Dividend Aristocrat. At the recent quotation of $60.18 per share, it offers a safe yield of 4.4%. For reference, its 10-year dividend-growth rate is 7%. However, because it intends to lower its payout ratio, it plans for slower dividend growth of about 4-5% annually through 2024.

Ignoring valuation expansion potential, the dividend stock could deliver decent long-term total returns of about 9% per year. According to the analyst consensus price target, Emera stock has near-term upside potential of just over 9% for an expected total return of about 13.5% over the next 12 months.

Canadian Natural Resources stock

Energy stocks have been the craze lately due to higher energy prices. From the pandemic market crash bottom in 2020, the energy sector has greatly outperformed the market. Here's how an initial investment of $10,000 have turned out.



XEG and XIU Total Return Level data by YCharts

Some pundits believe oil prices will stay firmly high over the near term. New investors would find small energy stocks to be highly volatile. Large-cap energy stocks would be easier holds. Specifically, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) has a market cap of about $82 billion.

As a large oil and gas producer, its production mix is diversified across 34% oil sands mining and upgrading, 28% heavy crude oil, 27% natural gas, and 11% light crude oil and natural gas liquids.

It's an investment-grade company that has a track record of paying dividends. In fact, CNQ stock has increased its dividend every year for about 20 years through economic cycles. Its 10-year dividend-growth rate of 18.7% is quite amazing.

Needless to say, it has been benefiting from today's favourable operating environment. In the trailing 12 months (TTM), it generated free cash flow (FCF) of almost $12.5 billion — more than double the "normalized" levels in 2019 before the pandemic impact. Its TTM payout ratio was about 21% of FCF versus 33% in 2019. So, its dividend remains secure.

At $71.57 per share at writing, the energy stock yields 4.2% and has 34% 12-month upside potential according to the analyst consensus price target. So, near-term total returns could be about 38%.

CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:EMA (Emera Incorporated)

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