New Investors: Why Now is the Best Time to Start Stock Investing (I'm Serious)

Description

New investors should be excited about the fabulous opportunities available in the stock market right now. It appears we're at the peak of an economic cycle with inflation and interest rates increasing, resulting in a decline in consumer spending and business investment.

The United States is already in a recession. This can't bode well for Canada, since the U.S. is our largest export market. According to the United Nations COMTRADE database, in 2021, the U.S. imported US$363.9 billion (equating to CAD$456.3 billion or about 25% of Canada's 2021 gross domestic product) from Canada. Here in Canada, **RBC** thinks we will enter a recession as soon as the first quarter (Q1) of 2023.

This paints a bleak picture, but there are two sides of the same coin. I'm absolutely serious in arguing that now is the best time to start stock investing.

The stock market has historically made investors the most money (versus other asset classes) in the long run, but it also comes with the greatest risk and volatility. You want to buy low and potentially sell high. Stocks are low now but it doesn't mean they can't go lower. And stock prices will go up and down along the way. It's impossible to guess the market bottom. So, your goal should be to build positions in quality stocks at lows.

At a high level, the peak of the business cycle is when stocks start falling, which continues into the contraction phase that can turn into a recession. For reference, the Global Financial Crisis triggered a recession that lasted about nine months until Q2 2009 in Canada.

So, this time period provides the right circumstances for new investors to start learning and applying stock investing.

Fortis: A great dividend stock to start investing in

Fortis (TSX:FTS)(NYSE:FTS) is a great **TSX** stock to start investing in. It has delivered stable business results through economic cycles and paid an increasing dividend for almost 50 consecutive years! It’s a blue chip TSX stock you can depend on.

Rising interest rates have triggered a meaningful sell-off of about 17% in the dividend stock year to date. The utility has a $20-billion five-year capital program to grow its rate base by about 6% per year. This should result in dividend growth of 5-6% through 2026.

Fortis is one of the lowest-risk dividend stocks you can find. At about $50 per share at writing, it provides a safe dividend yield of 4.5%. The dividend yield combined with a growth rate of 6% approximates long-term annualized returns of about 10.5%. Moreover, analysts think the defensive stock is undervalued by about 18%. Valuation expansion should drive greater returns over the next few years.

To be conservative, let’s assume an annualized return of 10.5%. By investing today, compounding power magic can allow you to double your money in less than seven years according to the rule of 72.

The Foolish investor takeaway

After a pullback in stocks, now is a great time for new investors to start investing. I’m serious! I recommend reading about value and dividend investing. Remember to pick stocks wisely and aim for portfolio diversification to spread your risk around.

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2. Stocks for Beginners

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