2 Dividend Stocks for Beginner Investors in February 2023

Description

If you're just starting investing, quality dividend stocks are an excellent place to start learning and investing in. They provide dividend income as a base for your total returns. Those that pay out decent dividend yields give investors better peace of mind, as they typically fall less in a bear market. Dividend income is also more favourably taxed than ordinary income, such as your job's income.

Here are some dividend stocks that beginner investors can consider this month.

Earn dividends from big bank stocks

Among the big bank stocks, **Bank of Nova Scotia** (TSX:BNS) stock currently offers the most enticing dividend yield of close to 5.7%. BNS stock's three-year dividend-growth rate is 5.2%. Its dividend is sustainable on a payout ratio of roughly 50%.

The stock offers a juicy yield because the international bank stock is undervalued. If Scott Thomson, the new BNS chief executive officer, can execute well, the Canadian bank stock could deliver outsized returns for the long haul. The high yield combined with valuation expansion and a conservative earnings-per-share growth rate of 3% can lead to annualized returns of approximately 13.7% over the next five years.

The bank's earnings durably grow in the long run. However, its earnings can fall during recessions. So, its yield is a good indicator for purchases. When it offers a high yield, such as now, it's a good time to consider buying.

CN Rail stock

Canadian National Railway (TSX:CNR) has a small dividend yield compared to many other dividend stocks. However, it may appeal to beginning investors for its stock price resilience. For example, in the last 20 years, in the worst year, the stock returned -13.9% versus -31.1% for the Canadian stock market (using **iShares S&P/TSX 60 Index ETF**) as a proxy. During the period, CN Rail stock's annualized returns were approximately 14.6%, which also outperformed the Canadian stock market's return of 7.8%.

Furthermore, CN rail enjoys a strong S&P credit rating of A. As a Class I railroad in North America with a large scale and cost advantages, CN Rail has witnessed durable earnings that grow in the long run. Around recessions, its earnings typically dip, but, thankfully, at shallow levels that are more than recoverable by the subsequent year.

At about $159 per share at writing, the quality dividend stock yields 2%. It's a wonderful business trading at fair value. CN Rail stock pays a healthy dividend. It has increased its dividend for about 27 consecutive years with a three-year dividend-growth rate of 10.9%. New investors with a long-term investment horizon can start building a position this month and add more shares on further dips.

Investing takeaway

If possible, make a habit to save and invest regularly in quality stocks. Both BNS and CN Rail are low-risk dividend stocks that are trading at good valuations. They're suitable for new investors to explore and consider this month. The companies earn durable profits and maintain sustainable payout ratios that support healthy dividends.

Generally, a stock that increases its dividend over time and generates market-beating long-term returns are safe picks. It can be easy to get caught in the daily volatility of the market. So, keep in mind that it's a good way to go to have your sights set for the far future.

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