Investing in dividend paying stocks?

5 things to watch out for
Investors looking to create a steady source of income with a lower risk appetite prefer dividend paying stocks in which a company pays a sum to its shareholders as a gesture of goodwill for holding an equity in the business.
Is the company strong and sustainable?

Research and learn about the company and the sector. Choose one that is fundamentally strong and sustainable, has a robust corporate governance framework, and holds high regulatory and compliance standards.
What’s the debt to market cap ratio?

Debt is an extremely important indicator of a company’s financial health. Take a look at the debt to market cap ratio. The lesser the ratio, the more stable a company is. If this number is increasing or hasn’t reduced over a period of time, the company may not be a good bet, despite the high dividend payout.
Focus only on high dividend yield?

It is natural to get attracted to stocks with a high dividend yield. However, it may be a sign of trouble and a result of an underperforming security. Ensure that your analysis is holistic, and check the consistency of dividends and overall stability and growth prospects of the company.
What’s the payout ratio?

Payout ratio indicates the company’s capacity to support dividend payouts. A ratio of more than 1 indicates that the company is giving more dividends than its earnings and poses a question at the company’s long-term stability and ability to pay dividends consistently.
A consistent payout is a sign of a healthy company. This means the company is constantly growing, well-managed, and has long-term stability. Even if the dividends increase by a small number every year, the compounding effect can make the earnings pronounced as time goes by.

**Simple solution:**
Look for consistency
Investing made easy.