Avoid the 50-Year Bond; 3 Dividend Growth Stocks to Buy Instead

Description

Investors with an ultra-long investment horizon were rewarded this week, as the government of Canada issued $1.5 billion worth of 50-year bonds. The offering — which was only supposed to be for $750 million until it was increased due to high demand — locks investors into a 2.96% yield until December 2064.

The offering was quickly gobbled up by life insurance giants and pension funds, which see this as a way to protect against long-term obligations. In fact, most of the parties buying this bond offering are thirsty for more, urging the government to issue these types of bonds on a regular basis.

For individual investors, these bonds are likely a bad idea. Interest rates appear to be likely to remain low for the foreseeable future, but nobody can predict what interest rates will do 10 or 20 years from now. It they go up substantially, the value of these bonds will be cut significantly. Besides, locking in a sub 3% return isn't very exciting.

Instead, investors should look at these three rock-solid dividend growth companies. They each offer a current yield of more than the 50-year bond, have a good long-term business, and have the potential to crush the return of a long-term bond. They should be your retirement investments, not a 50-year bond.

Rogers Communications

Trading at close to a 52-week low is **Rogers Communications** (TSX: RCI.B)(NYSE: RCI), Canada's largest wireless provider. This company is too good of an operator to stay in the dog house for long.

It boasts a 4.2% dividend that's increased more than 1,000% in the last decade. The company obviously can't continue that pace, but should be able to easily increase that dividend by more than inflation over the long term.

Besides an industry leading wireless business, the company also has strong home phone, internet, and cable businesses as well. Even though Rogers is in a mature business without much growth, it still has grown earnings at 6% a year over the last four years.

Canadian Oil Sands

As energy sources around the world get depleted, dependable crude reserves from politically safe areas are going to become more important. This is good news for investors of **Canadian Oil Sands** (TSX: COS).

Unlike the rest of Canada's energy giants, Canadian Oil Sands is a pure play on Alberta's oil sands, through its ownership stake in the Syncrude project. The company isn't about to run out of reserves anytime soon, as it has an estimated 43 years left at current production rates, and that's not even including land that hasn't been explored yet.

The company currently pays a 5.9% dividend. As the demand for oil continues to increase in the future, this dividend should continue to creep up.

PotashCorp

Canadian farmland is poised to be a prime asset over the next 50 years, as the world's population continues to increase. As a major supplier of fertilizer, this should be the beginning of a huge trend for **PotashCorp** (TSX: POT)(NYSE: POT).

In 2013, Russian potash rival OAO Uralkali decided to leave the cartel-like arrangement all worldwide producers had agreed to, and max out its production. This lead to a collapse in worldwide potash prices, and with it, a collapse in Potash's share price.

Since then, prices have recovered, the company has delivered solid results, and Potash has finally decided to get serious about paying a dividend. The stock currently yields 3.8%, and has potential to be one of the dividend growth leaders throughout the next number of years.

Foolish bottom line

Investors who buy a 50-year bond yielding less than 3% are taking a huge interest rate risk. If interest rates spike at any point over the next few years, this issue will sell off significantly. These dividend growth names have the potential to increase dividends at greater than the rate of inflation, and could also give investors some significant capital gains.

If I were looking for a holding for the next 50 years, I'd look at these three names, not a bond with a half a century duration.

CATEGORY

1. Investing

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