



3 Dividend Stocks to Buy and Hold Forever

Description

[grace groner](#) Grace Groner is the classic example of how regular people can build wealth in the stock market.

In 1931, Groner was hired as a secretary at **Abbott Laboratories** where she worked for more than 40 years. She never earned a lavish salary and lived in a tiny one bedroom cottage in Lake Forest, Illinois. She bought her clothes at rummage sales and never owned a car.

But a few years after starting her job at Abbott Labs, Groner purchased three shares of her employer's stock for about \$60 each. She never sold a share even after repeated stock splits. Groner also reinvested any dividends that were paid out to shareholders.

When she passed away in 2010, Groner owned more than 100,000 shares of Abbott stock valued at about \$7 million.

Of course, not everyone will turn \$180 into \$7 million. That's an exceptional case. But right now there are everyday investors buying wonderful businesses, holding for the long haul, and building small fortunes of their own. Here are three stocks that could help you do just that.

Is this the next Berkshire Hathaway?

Prem Watsa, founder and chief executive of **Fairfax Financial Holdings** ([TSX: FFH](#)), has earned the reputation as the "Canada's Warren Buffett".

It's not hard to see why. Fairfax's insurance business exists to generate cash to invest in the same way **Berkshire Hathaway** provides a platform for Buffett's investing activities. This provides Watsa with a low-cost source of funds that he manages with the same common sense investment principles as the Oracle of Omaha.

Watsa has proven to be a remarkable steward of shareholders' capital. He sold equities ahead of the crash of 1987, warned of Japan's stock market in 1990, and avoided the mortgage crisis of 2007. And when no one was even thinking about buying equities in late 2009, Watsa started buying shares of

every discounted stock he could get his hands on.

Clearly, Watsa is cut from the same chaff as Buffett. But unlike Berkshire Hathaway, Fairfax is still small enough to make whatever investments it wants, which can lead to exceptional long-term returns. As a result since 1993, the stock has soundly beaten the S&P 500 by 1,500%.

This company hasn't missed a dividend payment since 1881

Warren Buffett is often asked what is the most important characteristic he looks for in a wonderful business. Time and time again his answer is the same: an economic moat. Some sort of competitive advantage that allows a business to earn excess returns for shareholder year after year.

BCE ([TSX: BCE](#))([NYSE: BCE](#)), along with Canada's other big telecom companies, has a wide moat. Canada is the best telecom market in the world given that it's dominated by three operators that care more about generating profits than stealing market share. Despite the government's best efforts to encourage more competition in the industry, smaller players have failed to gain any traction.

As the largest player in the industry, BCE is the best of Canada's telecoms. Thanks to its sheer size, the company has an enormous scale advantage and network superiority. Given that BCE has paid an uninterrupted dividend to shareholders for 133 years, Canadians can count on a steady income stream (and overpriced cell phone bills) for many decades to come.

41 consecutive dividend hikes and counting

Fortis ([TSX: FTS](#)) can trace its beginnings to the St. John's Electric Company in 1885, established only a few years after Thomas Edison introduced the first commercial use of electricity for lighting. Today, the company is one of the largest utilities in Canada.

There is no other Canadian company that has such a broad and stable portfolio of monopolistic holdings across the continent. Fortis owns gas distribution facilities in British Columbia, electric utilities in New York, hydroelectric generation plants in Belize, and hotels in Eastern Canada.

In total, about 90% of the company's revenue is regulated practically guaranteeing a steady stream of growing revenues. This has allowed Fortis to lavishly reward shareholders with 41 consecutive dividend hikes since 1972. When you invest in a dominant monopoly with a 4.0% dividend yield, you can sleep well at night knowing that your capital has a great chance of compounding year after year.

Thousands of ordinary investors are building wealth in the stock market

In my 12-year investing career, I have bought and sold hundreds of thousands of dollars of stock. But after all the wheeling and dealing, I wished I had figured out one thing quicker — it's the few investments you buy and hold forever that generate real long-term wealth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. TSX:BCE (BCE Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:FTS (Fortis Inc.)

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