



3 Buy-and-Hold-Forever Stocks for Young Investors

Description

If you're under 30, you have a huge advantage over investors that are 10, 20, or 30 years older. This one advantage can enable a young investor to either contribute less and end up with a secure retirement, or contribute more and end up with luxurious golden years.

This advantage is ridiculously simple. It doesn't require any additional work on your part, nor does it require any special knowledge. It's something a young investor gets by default, simply because they're young.

Yes, I'm talking about compound interest.

Let's look at two fictional investors. One invested \$10,000 per year starting at age 25, and stopped after age 30. The second started investing at age 35, contributing \$10,000 per year for the next 30 years. Each earned a 9% return. Which one would end up with more money?

By the time both investors reach retirement age, they'd have pretty similar nest eggs. The first investor would have \$1.33 million tucked away, while the second investor would be sitting on \$1.49 million. It's close, but the second investor would have the higher net worth.

However, the first investor only contributed \$50,000 and used the magic of compound interest to turn it into \$1.33 million. It took the second investor \$300,000 worth of contributions to accomplish largely the same thing. Which position would you rather be in?

Once young investors get compound interest on their side, it makes saving for retirement that much easier. The only other thing they need to worry about is picking high-quality stocks, companies they can tuck away in their retirement accounts and hold forever, letting compound interest do its thing.

One great stock for young investors is **Toronto Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)), Canada's second-largest financial institution after **Royal Bank**.

TD Bank has terrific Canadian retail operations, leading the way with innovations such as opening its branches on the weekend. Its TD Waterhouse capital management business is strong, and the

company continues to grow its share in the mortgage market, even without resorting to rate sales.

But the most interesting case for investing in TD Bank is its banking operations in the United States, where it has more than \$200 billion under deposit and \$120 billion worth of outstanding loans. This performance is even more impressive when you consider that its U.S. operations are limited to the east coast.

Considering how fragmented the U.S. banking system is, TD has plenty of opportunities to expand its footprint down south. There's potential in everything from retail to investment banking, using earnings from its profitable Canadian operations to fund acquisitions on both sides of the border.

Another good holding for young investors is **Suncor Energy** ([TSX: SU](#))([NYSE: SU](#)), the largest producer in Alberta's oil sands, which extracted more than 400,000 barrels of bitumen per day in the most recent quarter.

Suncor has a huge amount of reserves. Based on current production, it has 34 years' worth of oil just sitting underground, waiting to be extracted. The company also has a refining capacity of 460,000 barrels of oil per day, and owns more than 1,500 service stations coast to coast. It is a true energy powerhouse.

Canada's oil sands are going to be an important source of energy for decades to come. Both the United States and China are hungry for oil, and [the current situation in Iraq](#) shows just how important stability is for all parties involved, from the producer all the way to the consumer. These trends make Suncor a great long-term hold.

Finally, Canada's telecommunications giants are a terrific choice for young investors looking for solid companies. They have huge competitive advantages, and are diversified into every area of Canadian media.

After a year of underperformance, **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)) is by far the cheapest in the group, trading at a P/E ratio of nearly 50% less than **BCE** or **Telus**. Its shares are somewhat depressed because of weak wireless results and increased spending during the last spectrum auction, and have been surpassed by its rivals.

As a result, this represents a terrific entry point for long-term investors. Rogers has also rewarded shareholders with a dividend increase annually for the last decade, and currently yields 4.2%. This is the perfect stock to buy now and tuck away for a couple of decades.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:RCI.B (Rogers Communications Inc.)

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